

Algar E. Carleton.
Felix Cole.
Harris N. Cookingham.
Paul H. Cram.
Raymond S. Curtice.
J. Preston Doughten.
Stillman W. Eells.
Robert W. Harnden.
Samuel W. Houaker.
Paul R. Josselyn.
Robert L. Keiser.
Irving N. Linnell.
Leland B. Morris.
Charles Roy Nasmith.
Harold B. Quarton.
Raymond P. Tenney.
Hugh H. Watson.
George W. Young.

GENERAL LAND OFFICE.

Louis H. Mooser to be surveyor general of California.
Gratton D. Little to be receiver of public moneys at Eureka, Cal.
Christopher C. Davidson to be register of the land office at Springfield, Mo.

APPOINTMENTS IN THE NAVY.

William C. Braisted to be Surgeon General and Chief of the Bureau of Medicine and Surgery.
George Barnett to be major general commandant of the Marine Corps.

POSTMASTERS.

ALABAMA.

Leon M. Stevenson, Roanoke.

CALIFORNIA.

Jennie F. Curry, Camp Curry.
Janet D. Watson, Tahoe.
Susan M. Sigler, Universal City.

COLORADO.

William M. Kintner, Swink.

KANSAS.

Henry Mattison, Mount Hope.

KENTUCKY.

Orson D. Proctor, Adairville.
William B. Crabb, Eminence.
E. W. McClure, Leitchfield.
H. Otto Razor, Salt Lick.
P. A. McIntire, Uniontown.

MISSOURI.

Robert S. Harriman, Pilot Grove.

NEW JERSEY.

Francis J. Imlay, Allenhurst.
Clark P. Kemp, Little Silver.
J. Edward Harned, Woodbridge.

NORTH DAKOTA.

Swain G. Northfield, Edinburg.

OHIO.

William H. Wisman, New Paris.

TENNESSEE.

Cleveland M. Reames, Somerville.

VIRGIN ISLANDS.

W. S. Lee, Charlotte Amalie.

WYOMING.

Minnie C. Corum, Encampment.

HOUSE OF REPRESENTATIVES.

TUESDAY, February 19, 1918.

The House met at 12 o'clock noon.

Rev. William Couden, of Washington, D. C., offered the following prayer:

Calm as the night, deep as the sea, constant as the sun is Thy love to us, O Father in Heaven. Thy blessings are innumerable and Thou hast saved us from dangers known and from many a peril unrecognized. Save us from habitual complaint, lament, regret. Hold us close to Thee in love, thanksgiving, and trust. And while the storm and the surges of life beat about us, keep us safe upon the Rock of Ages, and defend and bless our dear, dear country. In Jesus' name. Amen.

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS.

Mr. MILLER of Washington. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by including a patriotic speech made by my colleague, Mr. TIMBERLAKE of Colorado, delivered at Yuma, Colo., on January 2, and published in the Yuma Pioneer of that date.

The SPEAKER. The gentleman from Washington asks unanimous consent to extend his remarks in the Record by printing a patriotic speech made by the gentleman from Colorado [Mr. TIMBERLAKE] at Yuma, Colo., on a certain date. Is there objection?

There was no objection.

Mr. FLOOD. Mr. Speaker, I want to ask unanimous consent to extend my remarks in the Record by printing a resolution adopted by the Board of Supervisors of Buckingham County, Va., in reference to the fertilizer situation.

The SPEAKER. The gentleman from Virginia asks unanimous consent to extend his remarks in the Record by printing a set of resolutions adopted by the Agricultural Society of Buckingham County. Is there objection?

Mr. WALSH. Mr. Speaker, I object.

Mr. KEARNS. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by publishing a letter I have received relative to pension legislation.

The SPEAKER. The gentleman from Ohio [Mr. KEARNS] asks unanimous consent to extend his remarks in the Record by printing a letter on the subject of pensions. Is there objection?

Mr. WALSH. Mr. Speaker, I object.

Mr. KEARNS. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record on the subject of pension legislation, in which remarks I might publish a letter I have received.

The SPEAKER. The gentleman asks unanimous consent to extend his remarks on the subject of pension legislation. Is there objection?

Mr. WALSH. I object.

HOUSING OF SHIPBUILDING EMPLOYEES.

Mr. ALEXANDER. Mr. Speaker, I desire to call up the conference report on the bill (H. R. 3389) to authorize and empower the United States Shipping Board Emergency Fleet Corporation to purchase, lease, requisition, or otherwise acquire improved or unimproved lands, houses, and buildings, and for other purposes.

Mr. SIMS. Mr. Speaker, I suppose that under the unanimous-consent agreement we will take up the railroad bill after the conference report is agreed to?

The SPEAKER. Of course.

The Clerk will report the conference report by title.

Mr. ALEXANDER. Mr. Speaker, I ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from Missouri asks unanimous consent that the statement may be read in lieu of the report. Is there objection? [After a pause.] The Chair hears none. The Clerk will read the statement.

CONFERENCE REPORT (NO. 319).

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3389) "to authorize and empower the United States Shipping Board Emergency Fleet Corporation to purchase, lease, requisition, or otherwise acquire improved or unimproved land, houses, buildings, and for other purposes," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment as follows: In lieu of the matter proposed by the House insert the following:

"That the United States Shipping Board Emergency Fleet Corporation is hereby authorized and empowered within the limits of the amounts herein authorized—

"(a) To purchase, lease, requisition, including the requisition of the temporary use of, or acquire by condemnation or otherwise any improved or unimproved land or any interest therein suitable for the construction thereon of houses for the use of employees and the families of employees of shipyards in which ships are being constructed for the United States.

"(b) To construct on such land for the use of such employees and their families houses and all other necessary or convenient facilities, upon such conditions and at such price as may be determined by it, and to sell, lease, or exchange such houses, land,

and facilities upon such terms and conditions as it may determine.

"(c) To purchase, lease, requisition, including the requisition of the temporary use of, or acquire by condemnation or otherwise any houses or other buildings for the use of such employees and their families, together with the land on which the same are erected, or any interest therein, all necessary and proper fixtures and furnishings therefor, and all necessary and convenient facilities incidental thereto; to manage, repair, sell, lease, or exchange such lands, houses, buildings, fixtures, furnishings, and facilities upon such terms and conditions as it may determine to carry out the purposes of this act.

"(d) To make loans to persons, firms, or corporations in such manner upon such terms and security, and for such time not exceeding 10 years, as it may determine to provide houses and facilities for the employees and the families of employees of such shipyards.

"Whenever said United States Shipping Board Emergency Fleet Corporation shall acquire by requisition or condemnation such property or any interest therein, it shall determine and make just compensation therefor, and if the amount thereof so determined is unsatisfactory to the person entitled to receive the same, such person shall be paid 75 per cent of the amount so determined, and shall be entitled to sue the United States to recover such further sum as added to such 75 per cent will make such an amount as will be just compensation for the property or interest therein so taken, in the manner provided by section 24, paragraph 20, and section 145 of the Judicial Code.

"That whenever the said United States Shipping Board Emergency Fleet Corporation shall requisition any property or rights, or upon the filing of a petition for condemnation hereunder, immediate possession may be taken by it of such land, houses, or other property, rights, and facilities, to the extent of the interests to be acquired therein, and the same may be immediately occupied and used, and the provisions of section 355 of the Revised Statutes, providing that no public money shall be expended upon such land until the written opinion of the Attorney General shall be had in favor of the validity of the title nor until the consent of the legislature of the State in which the land is located has been given, shall be, and the same are hereby, suspended as to all land acquired hereunder.

"The power to acquire property by purchase, lease, requisition, or condemnation, or to construct houses, or other buildings, and to make loans, or otherwise extend aid as herein granted shall cease with the termination of the present war with Germany. The date of the conclusion of the war shall be declared by proclamation of the President.

"The word 'person' used herein shall include a trustee, firm, or corporation. The word 'shipyard' shall include any factory, workshop, warehouse, engine works, buildings, or grounds used for manufacturing, assembling, construction, or other process in shipyards and dockyards and discharging terminals, and other facilities connected therewith, now or hereafter used in connection with shipbuilding.

"That for the purpose of carrying out the provisions of this act the expenditure of \$50,000,000 is hereby authorized, and in executing the authority granted by this act, the said United States Shipping Board Emergency Fleet Corporation shall not expend or obligate the United States to expend more than the said sum, nor shall any contract for construction be entered into which provides that the compensation of the contractor shall be the cost of construction plus a percentage thereof for profit, unless such contract shall also fix the reasonable cost of such construction as determined by the United States Shipping Board Emergency Fleet Corporation and provide that upon any increase in cost above the reasonable cost so fixed by such board, the percentage of profit shall decrease as the cost increases in accordance with a rate to be fixed by said board and expressed in the contract. No contract shall be let without the approval of the United States Shipping Board Emergency Fleet Corporation: *Provided, however,* That nothing herein contained shall be construed to prevent said board from contracting for the payment of premiums or bonuses for the speedy completion of the work contracted for: *Provided further,* That the United States Shipping Board Emergency Fleet Corporation shall report to Congress on the first Monday in December of each year the names of all persons or corporations with whom it has made contracts and of such subcontractors as may be employed in furtherance of this act, including a statement of the purposes and amounts thereof, together with a detailed statement of all expenditures by contract or otherwise for land, buildings, material, labor, salaries, commissions, demurrage, or other charges in excess of \$10,000."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill, and agree to the same.

J. W. ALEXANDER,
RUFUS HARDY,
E. W. SAUNDERS,
WILLIAM S. GREENE,
GEORGE W. EDMONDS,

Managers on the part of the House.

JOS. E. RANSDELL,
THOMAS S. MARTIN,
KNUTE NELSON,

Managers on the part of the Senate.

STATEMENT.

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill S. 3389, "An act to authorize and empower the United States Shipping Board Emergency Fleet Corporation to purchase, lease, requisition, or otherwise acquire improved or unimproved land, houses, buildings, and for other purposes," submit the following written statement in explanation of the effect of the action agreed upon by the conferees and submitted by the accompanying report:

The House amendment to the bill S. 3389 is agreed to with an amendment, which gives the text of the bill as agreed to by the conferees.

The bill as agreed to authorizes and empowers the United States Shipping Board Emergency Fleet Corporation not only to requisition property for the purposes of the act, but to requisition the temporary use of the property for the purposes of the act; also to provide houses for the use of employees and the families of employees; also, in addition to proper fixtures and furnishings for houses and other buildings for the use of employees and their families, to provide all necessary and convenient facilities incidental thereto.

Paragraph (d) is rewritten, and the Emergency Fleet Corporation is given power to make loans to persons, firms, or corporations in such manner, upon such terms and security, and for such time not exceeding 10 years as it may determine to provide houses and facilities for the employees and the families of employees of such shipyards. Subdivision (d) as it passed the House gave the Emergency Fleet Corporation power to make loans only upon adequate security to persons, firms, or corporations, etc. The conferees are of the opinion that to demand adequate security for all loans made might seriously embarrass the Emergency Fleet Corporation in providing the necessary housing facilities. It is too much to hope there will be no loss to the Government in carrying out this project, and to demand adequate security for every loan made would make it difficult for the Emergency Fleet Corporation to enlist the active cooperation of persons, firms, or corporations in carrying out the purposes of the act. The most we can hope for is that the Emergency Fleet Corporation in making loans will exercise sound discretion and demand the very best security that can be obtained, and the effect of the amendment agreed to in conference is to vest the Emergency Fleet Corporation with large discretion in making loans.

No other material amendment is made to the House amendment in the way of substitute to the Senate bill.

The last paragraph of the House amendment to the Senate bill as agreed to by the conferees is amended to provide that no contract shall be sublet without the approval of the Emergency Fleet Corporation; also, to provide that the report made to Congress shall be made on the 1st day of December of each year instead of on the 1st day of July and January of each year.

The effect of these amendments is apparent and needs no explanation.

J. W. ALEXANDER,
RUFUS HARDY,
E. W. SAUNDERS,
WILLIAM S. GREENE,
GEORGE W. EDMONDS,

Managers on the part of the House.

Mr. ALEXANDER. Mr. Speaker, the bill as agreed to in conference was to all intents and purposes the same as the bill as it passed the House, and I move the previous question.

Mr. LENROOT. Mr. Speaker, will the gentleman yield for just a question?

Mr. ALEXANDER. I yield.

Mr. LENROOT. With reference to subdivision (d), covering the matter of loans, I merely ask, for the guidance of the Shipping Board, as to what the intent of the Congress was. I take it that it was the intention of the conferees, by modifying the language that was adopted by the House, to require security

in each instance, but leaving a very wide discretion with the board?

Mr. ALEXANDER. Yes.

Mr. LENROOT. But in no event should security be dispensed with?

Mr. ALEXANDER. That was clearly the intent, and the only reason we modified the language was because, as framed in the bill, it was too restrictive, but at the time the gentleman from Wisconsin [Mr. LENROOT] offered the amendment it appealed to me very strongly, but upon more mature consideration the conferees were afraid it would be too restrictive.

Mr. LENROOT. All I wanted to say was, that this ought not to be construed as permitting the board to waive security?

Mr. ALEXANDER. On the other hand, we wish them to procure the best security they can.

Mr. STAFFORD. Will the gentleman yield further?

Mr. ALEXANDER. I yield.

Mr. STAFFORD. I notice the committee has extended the authority of the loans that may be made by the Shipping Board, to provide for loans for houses as carried in the House bill, and also for facilities. Has that any peculiar significance as to authorizing loans for the building of railroads?

Mr. ALEXANDER. Oh, no; nothing at all. We might be able to take over a house, and there might be some furniture or fixtures that would be worth while to take over.

Mr. STAFFORD. The idea is that the facilities referred merely to the housing proposition?

Mr. ALEXANDER. Yes; the facilities in connection with the housing, absolutely.

Mr. Speaker, I move the previous question.

Mr. WALSH. Mr. Speaker, will the gentleman yield for a short question before he does that?

Mr. ALEXANDER. I will.

Mr. WALSH. I want to ask if the amendment which was adopted just before the bill was reported to the House remains?

Mr. ALEXANDER. The Green amendment?

Mr. WALSH. Yes; the Green amendment.

Mr. ALEXANDER. It remains in the bill just as it was written in the House. It is not modified at all, except that we provide that no subcontract may be let without the express consent of the Shipping Board. I move the previous question, Mr. Speaker.

The SPEAKER. The question is on agreeing to that motion. The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

On motion of Mr. ALEXANDER, a motion to reconsider the vote whereby the conference report was agreed to was laid on the table.

CLERK TO COMMITTEE ON ALCOHOLIC LIQUOR TRAFFIC.

Mr. PARK. Mr. Speaker, I submit a privileged resolution, which I ask to have read at the Clerk's desk.

Mr. SIMS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. SIMS. The unanimous-consent agreement was that nothing was to interfere with the consideration of the railroad bill except conference reports and Calendar Wednesday business.

The SPEAKER. The Chair understands that, but little things that have to do with the running of the House and that will not take but a minute were not included. If this does, the gentleman from Georgia will withdraw it.

Mr. PARK. I yield two minutes to the gentleman from Illinois [Mr. SABATH].

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House resolution 221.

Resolved, That the Committee on Alcoholic Liquor Traffic be allowed a clerk at the rate of \$6 per diem during the second session of the Sixty-fifth Congress, to be paid out of the contingent fund of the House.

Mr. SABATH. Mr. Speaker, this is the only committee of the House with legislative jurisdiction which has not been allowed a clerk, and that notwithstanding the fact that there are a great many things to be attended to on that committee growing out of the recent prohibition legislation. There are a great many letters and memorials and inquiries coming into that committee from day to day.

Mr. STAFFORD. I do not think that should be precipitated at this time. The committee has never had a clerk.

Mr. SABATH. It has always had a clerk.

Mr. STAFFORD. At \$6 per day?

Mr. SABATH. Yes; it has always had a clerk since the committee has been organized; it has one now, and has had one ever since.

Mr. MOORE of Pennsylvania. The gentleman does not want a contest over this matter this morning, does he?

Mr. SABATH. No; I do not want a contest. If there is any question about it, I am willing that the gentleman from Georgia [Mr. PARK] should withdraw it. But if there is a committee that needs a clerk at this time it is that committee, because on an average of 40 or 50 letters and resolutions come in every day. They have to be answered and taken up and attended to.

The SPEAKER. The gentleman from Georgia [Mr. PARK] temporarily withdraws this resolution.

ORDER OF BUSINESS.

Mr. MOON. Mr. Speaker, I want to ask unanimous consent that at the conclusion of the railroad bill, which we are about to take up, the bill (H. R. 9414) granting increased compensation to certain officials, employees, and laborers in the Post Office Department and Postal Service, and for other purposes may be taken up and put upon its passage.

The SPEAKER. The gentleman from Tennessee asks unanimous consent that at the conclusion of the consideration of the present bill—that is, this railroad bill—House bill 9414 be made a special order, barring, of course, Calendar Wednesday and the first and third Mondays and conference reports and privileged matters generally. Is there objection?

Mr. SHERLEY. I object.

The SPEAKER. The gentleman from Kentucky objects.

Mr. LANGLEY. Mr. Speaker—

Mr. MOON. Does the gentleman from Kentucky object?

Mr. LANGLEY. No; I am in favor of the gentleman's bill. I did not object.

The SPEAKER. The gentleman from Kentucky [Mr. SHERLEY] objected.

Mr. MOON. The gentleman says he did not object.

The SPEAKER. I know; the gentleman from Kentucky [Mr. SHERLEY] objected.

Mr. LANGLEY. I object to the action of my colleague being attributed to me. I am in favor of the gentleman's bill, particularly if it is the bill which gives relief to the fourth-class postmasters, the rural carriers, and the star-route carriers.

FEDERAL CONTROL OF RAILROAD TRANSPORTATION.

Mr. SIMS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9685) to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes; and, pending that motion, I want to ask the gentleman from Wisconsin [Mr. ESCH]—I want to make a unanimous consent request that the gentleman from Wisconsin shall control one-half of the time for general debate on that side and that I control it on this side. That is only for the control of debate.

Mr. MADDEN. Let us find out what the debate is going to be. I reserve the right to object for the time being, to ascertain how long the time for general debate is going to be.

Mr. SIMS. I was discussing that matter with the gentleman from Wisconsin this morning, and he thought that it would be better for us to begin the debate without an agreement, and we could probably reach an agreement later on, but to proceed without an agreement except that I shall control one-half and the gentleman from Wisconsin one-half of the time.

Mr. COX. Is the debate to be confined to the bill?

Mr. SIMS. I want to make that as a separate request. This should not be coupled with any other request.

Mr. MADDEN. It seems to me that we ought to reach an agreement as to the amount of debate.

Mr. GARNER. Mr. Speaker, I want to suggest to the gentleman from Tennessee that he couple with his request for an equal division of the time the request that the time be controlled by himself and the gentleman from Wisconsin [Mr. ESCH], and that the debate be confined to the bill.

Mr. SIMS. I will make that request if this one is granted.

Mr. GARNER. But suppose this should be granted and the other one not?

Mr. SIMS. I want both to be granted.

Mr. COOPER of Wisconsin. I do not want to obstruct the consideration of this matter, but I shall not consent, if ever, except in the most extraordinary circumstances, to the limiting of general debate to any subject. That is the only chance that the Members of the House of Representatives have to express their opinions on current matters.

The SPEAKER. Nobody has made that request.

Mr. COOPER of Wisconsin. I know; but the gentleman from Texas [Mr. GARNER] was just suggesting that it be made and I thought I had better show the unwisdom of making such a request.

The SPEAKER. The gentleman from Tennessee [Mr. SIMS] moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the railroad bill (H. R. 9685); and pending that he asks that he control one-half the time for general debate and the gentleman from Wisconsin [Mr. ESCRI] the other half. Is there objection to this request?

There was no objection.

Mr. SIMS. Now, Mr. Speaker, I will make the further request that general debate be limited to the subject matter of the bill.

The SPEAKER. The gentleman asks that the general debate be limited to the subject matter of the bill. Is there objection?

Mr. COOPER of Wisconsin. Mr. Speaker, reserving the right to object, I wish to say this only—

Mr. LANGLEY. Mr. Speaker, in order to save time, I object.

The SPEAKER. The gentleman from Kentucky [Mr. LANGLEY] objects.

Mr. SIMS. Now my motion is in order.

The SPEAKER. The question is on the motion to go into the Committee of the Whole House on the state of the Union. The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9685) to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes, with Mr. RAINEY in the chair.

Mr. SIMS. Mr. Chairman, I ask unanimous consent that the first reading of the bill be waived.

The CHAIRMAN. The gentleman from Tennessee asks unanimous consent that the first reading of the bill be waived. Is there objection?

There was no objection.

Mr. SIMS. Mr. Chairman, this is one of the most important bills that has ever been before the House of Representatives for its consideration and enactment since I have been a Member of the House, which is now within a few days of 21 years. It is so important that I feel that all debate upon this bill should be confined to the provisions of the bill. I do not mean that upon a point of order a mere question of judgment is to be challenged as to whether what a gentleman may be saying applies to a provision in the bill or not, but it will require all the time that we ought to use in general debate to discuss the bill and proposed amendments. And when it is so absolutely necessary that it shall be enacted into law as soon as possible, consistent with due and proper consideration, I hope that no gentleman will ask to make a speech or will want time yielded him to make a speech on a subject in no way related to this legislation. We have a number of appropriation bills to be considered yet by the House, and it has always been the custom that on appropriation bills liberal time is given for general debate, to the end that gentlemen of the House may discuss any subject in order under the rules when the House is in Committee of the Whole House on the state of the Union. I would have no objection to debate on other subjects if it were not for the fact of the great urgency of this emergency legislation.

The House Committee on Interstate and Foreign Commerce remained in continuous session for five weeks, or about that time, not confining their sessions simply to the forenoons, but often continued in session until the time for adjournment of the House; and I feel that the members of this committee who have studied this subject so faithfully, who have attended the hearings so continuously, should have a reasonable opportunity to explain to the House, or to Members of the House who have not given the matter that amount of study and thought and attention that members of the committee have, the provisions of this bill, and that they should not be crowded out simply to grant accommodation requests to discuss subjects that do not relate to the bill.

I shall now ask that I be not interrupted for a few minutes. I want to read a synopsis in the way of an explanation of the bill, which is practically the majority report. But many Members, perhaps, have not read the report, or some of them at least have not read it, and I always find that it is better to have a synopsis of a speech in the first part of it if you want it to be read, because so many people will read just a few pages of a speech and not read all of it. That is my reason for pursuing this course. Therefore, while it is not my custom to read speeches or to prepare them in writing, I wish to read this synopsis, and just as soon as I have finished it, I shall then do what we sometimes call turning loose on the whole subject, but with as much brevity as possible in explaining the bill at length.

This measure is war emergency legislation, intended to meet the essential needs growing out of Federal control of our great carrier systems. It is not to be regarded as a bill for Government ownership or control of railroads or against Government ownership or control of railroads. The bill makes neither for nor against any particular kind of railroad regulation. It undertakes to provide for war needs only.

The bill is comparatively short and easily understood. It consequently requires but brief explanation.

The act of August 29, 1916, authorized the President in time of war to assume the possession, control, and use of transportation systems. It provided no method for determining the just compensation of the owners of properties thus applied to public use. The right to just compensation is a constitutional right; the determination of the amount of just compensation is a judicial and not a legislative question.

But Congress may and should provide speedy and easily available judicial machinery for determining this just compensation. It is also desirable that the owners of the properties should, instead of being required to resort to the courts for their rights, be made such offers for just compensation as will result in an agreement between them and the United States determinative of all rights. These, together with certain obviously needed supplementary powers as to financing during Federal control, are the main purposes of this bill.

Section 1 is a fundamentally important section, for it fixes the outside limits of the proposed agreements. Its sole function is to provide a basis of such just and proper agreements as may eliminate litigation. This section authorizes the President to make contracts with the operating carriers under which they shall receive in lieu of their constitutional rights the average of their railway operating income for the three years ended June 30, 1917.

Ordinary taxes, Federal and State, are to be paid as hitherto out of operating income. But war taxes are payable out of the standard return. The owners of railroad securities, like the owners of other securities, are thus left to carry their share of the war-tax burden.

The agreements authorized in section 1 are also to contain adequate and careful provisions as to depreciation and maintenance, and for all such adjustments of accounts between the Government and the carrier companies as may be necessary to effectuate the Government's obligation of paying a just compensation not exceeding the three-year average earnings, besides keeping up the properties, leaving the Government, however, if it turns the property back improved or increased at Government expense to be reimbursed therefor.

This standard provision will doubtless be found applicable to most railroad companies. Seventy-five great operating systems do more than 90 per cent of the business, but there are some new, undeveloped, reorganizing companies for which some special provision ought to be made. The bill accordingly authorizes the President to make such agreements as he may deem just with companies whose just compensation he finds will plainly not be measured by the three-year earnings basis.

Naturally there has been much discussion as to the justice of the proposed basis of settlement. Our committee has dealt with this as a practical question. It consequently regards much of the evidence adduced before the committee concerning "surplus" as irrelevant. This is not the time to undertake to settle public policy as to so-called "surplus earnings." The facts are that these companies having during this three-year period had certain earnings; that they are entitled as a constitutional right to have their just compensation adjudicated by the courts; that it is probably—almost certain—that any court would take their average earnings for some reasonable period as persuasive evidence of such just compensation.

Viewing their constitutional right in connection with the great public needs of stabilizing the security market—of restoring and not impairing confidence—our committee was of the opinion that the average earnings of three years is a fair basis for a settlement of the rights of most of these owners against their Government, and ought to be approved. Nineteen hundred and fifteen was one of the worst years in recent railroad history; the other two years were prosperous. The average of the three years is therefore a fair test of earning power. Moreover, the investment in the properties of railroads now taken over has been increasing at a rate above \$100,000,000 a year. The properties the Government now has the use of are larger by about a third of a billion dollars than the properties that made the earnings of 1915, taken as one of the three years in order to reach the standard return.

Mr. KEARNS. Will the gentleman yield?

Mr. SIMS. I asked that I might be permitted to finish this brief statement.

Mr. KEARNS. The gentleman says about one-third of a billion, while the report says about one billion.

The CHAIRMAN. The gentleman has requested that he be not interrupted.

Mr. SIMS. I am going to discuss that later on, and in my remarks will give the reason why I say about one-third of a billion, or in excess of \$100,000,000 a year.

Mr. KEARNS. Is the statement in the report correct?

Mr. SIMS. I do not want to stop to discuss it now, but I will come to that when I get through with this synopsis.

It is not pretended that the three-year basis is an accurate mathematical test of just compensation, but our committee believed it to be a basis essentially just, and one that will be plainly understood, easily workable, and generally approved both by the public and by the security holders.

Section 3 provides "due process of law" for nonagreeing carriers and also authorizes an agreement between the President and any company after report by the referees to be appointed by the Interstate Commerce Commission. It was the belief of our committee that few, if any, cases will ever reach the Court of Claims. This section requires no further explanation.

Section 4 provides for increasing compensation as the properties used increase during the period of Federal control.

Section 5 limits dividend disbursements to regular dividends except as the President may otherwise permit. Nondividend payers may, however, pay dividends as permitted. Manifestly any excess revenues accruing from standard return ought not to be made the basis of speculation or manipulation. Steady, regular income is what is desirable during the period of the war.

Section 6 provides for a revolving fund, to be made up of an appropriation of \$500,000,000 from the Treasury and any excess revenue derived from the operation of the companies. This revolving fund may be used by the President to provide equipment, additions, and road extensions, and to make advances to the companies so far as necessary for these purposes. This section contemplates direct ownership by the United States of new railroad equipment and perhaps of terminals. It does not contemplate ownership of such road extensions, tracks, and so forth, as may be necessary in connection with Army camps, shipyards, and so forth. In the opinion of our committee the title to such additions and extensions should be in the various companies and not in the United States. But as some such extensions will be made for war purposes and cost more than their value during peace times, the right of the company to have a just portion of this compulsory investment paid by the Government is protected. This section also provides for the construction and utilization of transportation facilities on our waterways. The burden on our rail carriers may be much lightened if we make proper use of these great natural highways.

Section 7 provides for Government financing of maturing obligations and other necessary capital requirements of the companies during Federal control. Securities purchased may, if the President finds it desirable, be sold at not less than cost.

Sections 8 and 10 need no explanation.

Section 9 guards the rights of certain railroads which may not be taken over, not to have their traffic and routing arrangements unnecessarily injured.

Section 11 embodies the theory of the President's proclamation that there shall be no unnecessary disturbance of established methods of procedure by and against the carrier companies. While it is undoubtedly true that during the period of Federal control the revenues of the railroads are Government money, section 11—certainly when read in connection with section 8, which authorizes the President to execute his powers through such agencies as he may determine—permits the utilization of the various carrier companies, as a species of Government agencies, so that for all practical purposes passengers, shippers, and employees will proceed as hitherto in the exercise and enforcement of all their accustomed rights.

But when Federal control for war purposes requires changed methods the President must have power to make such changes. The rate fabric of the country is now based upon the competitive theory. In many instances rail rates have been made for the purposes of meeting, if not destroying, water competition. Section 6, as already pointed out, contemplates that the Federal Government shall from its own resources create new facilities upon the waterways. Manifestly during Federal control rail rates ought not to be made for the purpose of destroying or "meeting water competition." The Nation should not compete with itself. It should furnish transportation service, both rail and water, at just and reasonable rates. On the other hand, it is manifestly impracticable and undesirable for the President or any agencies he may create to readjust our present

rate fabric. Comparatively little of it ought to be readjusted, and such necessary adjustment should come tentatively and only to meet obvious needs. Our committee was of the opinion that section 11 meets the situation in the least objectionable and in the most practicable way. It provides that, except as the President may from time to time otherwise order, rates shall continue to be and to be determined as hitherto.

This leaves the Interstate Commerce Commission and the State commissions to proceed, precisely as hitherto, in the determination of all rate questions unless and until the President, in the exercise of the war power, shall order otherwise.

Mr. MADDEN. Will it interrupt the gentleman to answer a question there? I do not want to interrupt him unless he desires to be interrupted.

Mr. SIMS. I did want to finish this synopsis and then yield for interruptions.

Mr. MADDEN. There is just one place that I think might be a very appropriate place to ask my question, that is all.

Mr. SIMS. They are really all of them appropriate.

Mr. MADDEN. This one particularly.

Mr. SIMS. I will ask the gentleman to make a note of it in his mind.

Mr. MADDEN. I should like to have it right where the statement of the gentleman is made.

Mr. SIMS. But when the public interest so requires the President may initiate rates, filing them with the Interstate Commerce Commission, to take effect upon such notice as he shall direct. Such rates are to be "fair, reasonable, and just." But to guard against even remote possibilities of error the section provides that upon complaint the Interstate Commerce Commission shall make investigation, grant full hearings "concerning the fairness, justice, and reasonableness" of rates so ordered by the President, and "make report of its findings and recommendations" to the President for such action as he shall deem required in the public interest.

It has been suggested that after such hearing the Interstate Commerce Commission should be given power to make orders, thus in effect overriding the President's war power to make rates on transportation systems in his possession and control because of war conditions. It would, in the opinion of our committee, be most unwise to authorize the Interstate Commerce Commission to overrule the President in the exercise of his war powers—indeed, of any other powers. It should not be overlooked that the President is responsible for the financial results of operating these great carrier systems with gross revenues approximating \$4,000,000,000. It will not be contended that during Federal control the carrier systems should not be substantially self-supporting. The general taxpayer ought not to be left to make up a large deficit accruing from carrier operations. Wages and prices of materials are exceedingly high and may rise still higher. The volume of traffic, great during the past two years, may fall off. Weather conditions have for two months been unprecedentedly bad, making operation extraordinarily expensive. The President, responsible for the general financial result, from factors so numerous, so uncertain, and so varying, must be given power commensurate with his responsibility.

Moreover, if the Interstate Commerce Commission were given final power to make rates, what would be its standard of "reasonableness and justice"? Plainly the old, competitive standard, unless the present statute is repealed or greatly modified. To authorize the Interstate Commerce Commission to overrule the President and to make such orders as to rates as are now permitted under the interstate-commerce act would be granting an authority to make rates, based on the competitive theory, applicable to a coordinated, unified, noncompetitive war control. In other words, the Interstate Commerce Commission could not, until so empowered by Congress, make orders logically applicable to the "justice and reasonableness of rates" made for a unified, coordinated system during war time.

We are satisfied that the method proposed of leaving rates and rate making undisturbed, except as the President otherwise orders; authorizing the President to initiate rates; providing for a review on full hearing by the Interstate Commerce Commission; and the findings and recommendations of the Interstate Commerce Commission to be reported to the President, so that he may, if necessary, revise his own prior determination, is the best solution of this difficult problem. In practice, this method will give to shippers and consignees all the protection they now have under the established practices of the Interstate Commerce Commission, while enabling the President to make such necessary changes as unified war control demands. It also gives the Interstate Commerce Commission an opportunity to review and to discuss fully the "justice, reasonable-

ness, and fairness" of any rate in the light of the war conditions, without now putting upon Congress the impossible burden of providing new, noncompetitive rate-making legislation.

Section 12 provides for penalties to be enforced by the usual processes in the courts, and calls for no comment or explanation.

Section 13 provides for continuing the life and status quo of cases pending. It was inserted at the request of the Department of Justice.

Section 14 deals with the duration of Federal control. It authorizes the President at any time prior to July 1, 1918, to relinquish control of all or any part of any system of transportation which he thinks not necessary or desirable for national or war purposes, and at any time thereafter to make such relinquishment on agreement with the owners, thus in either case ending all further claim for compensation. But this power will in use be of little importance. The main question is when and how to end general Federal control.

While these transportation systems were taken over under the war power, it is easily manifest that they ought not to be turned back to their owners immediately upon the return of peace. They might have been taken, and they may be kept, under the commerce clause of the Constitution. Section 6 contemplates the investment of a large amount of Government money in rolling stock and, perhaps, in terminals, "to be disposed of as Congress may hereafter by law provide." Section 7 contemplates financing the carriers' maturities; these in the years 1918 and 1919 will amount to approximately \$400,000,000.

Unified control will involve substantial changes in the traffic departments of the various carriers, new routing of much traffic, and many other changes from the methods obtaining under the competitive system. It would be just neither to the public nor to the owners of the properties to return the properties to private control without legislation adequately providing fair and reasonable terms for the liquidation of the Government's holdings of railroad securities, for the sale or other use of the Government's rolling stock, and for other changes incidental to the war control. It may be that the country will never be willing to have the carriers go back to the old system of uncoordinated, competitive operation. For many years many forms of new and enlarged regulation have been pending before Congress. That some program of constructive, far-reaching policy ought to be worked out before the railroad companies are returned to private control seems too clear for argument.

The majority of our committee, while accepting these views, are of the opinion that a definite period of two years should be set as the time limit within which such legislation should be matured and enacted. Obviously, the period may hereafter be extended if such extension be found necessary in the public interest. The majority were of the opinion that the insertion of a definite time limit for Federal control puts the burden of presenting proper measures of constructive legislation where it belongs—upon the owners of the properties—and that it is inconsistent with the public interest to allow a war control, admittedly assumed for emergency purposes only, to extend indefinitely in time of peace. A minority of our committee hold a different view. They believe that the public interest is much better safeguarded if the Federal control herein and heretofore provided for shall be continued until Congress shall after the war otherwise provide.

Now, the gentleman on my left, Mr. KEARNS, rose to ask me a question a while ago, but kindly refrained.

Mr. KEARNS. It says here in the report that the investment in the property of the railroads so turned over has been increasing at the rate of about \$375,000,000 per year.

Mr. SIMS. That is the statement in the report.

Mr. KEARNS. The gentleman in his statement says about one-third of that amount.

Mr. SIMS. I will say not less. Now I will tell the gentleman why in my remarks I did not follow that part of the report. Since then I have made inquiries as best I could, but from the information I received, which was not altogether satisfactory, I was afraid that the estimate put in the report was too large. I felt from information that I received that it certainly did amount to one hundred millions or more, and in three years it would amount to one-third of a billion dollars or more.

Mr. MADDEN. Will the gentleman yield?

Mr. SIMS. I will.

Mr. MADDEN. In the course of the gentleman's very able address in connection with this legislation, I think I understood him to say that he was in favor of permitting the President of the United States to originate rates and on complaint to have hearings before the Interstate Commerce Commission, that they might ascertain the facts and submit them as prima facie evi-

dence to the President of the United States, and he would still retain the power to fix the rates.

Mr. SIMS. What I said and what is in the bill, as I understand it, is that rate making will go on just as it did before the railroads were taken over both by the Interstate Commerce Commission and State commissions.

Mr. MADDEN. The bill does not provide that, does it?

Mr. SIMS. Yes; the bill reads on page 12, line 12:

Until and except so far as the President shall from time to time otherwise order, the rates, fares, charges, classification, regulations, and practices of carriers under Federal control shall during the period of Federal control continue to be and to be determined as hitherto. But when—

Mr. MADDEN. Yes; but that language could not by any stretch of imagination be construed to mean that the rates be originated as they are to-day and passed upon by the commission as they are to-day.

Mr. SIMS. I said the power given the President to originate rates is exceptional and not the rule, and that the rate-making power will remain just where it is now, both by the State and the Federal commissions, until the President should otherwise order.

Mr. MADDEN. Why should the President of the United States be given the authority to make a rate without respect to what the Interstate Commerce Commission may say about it?

Mr. SIMS. I will be glad to answer the gentleman. This is a very important matter, and the gentleman may take his seat, because it may take me some time to answer satisfactorily. Now, that question can be answered in part by asking another, Why should the railroads be turned over to the President at all?

Mr. MADDEN. I will answer that question.

Mr. SIMS. I did not ask it for the purpose of being answered, but let the gentleman answer it.

Mr. MADDEN. The reason why they are turned over to him at all is that Congress in its wisdom thought some time last summer that it might be wise during the period of the war, as a war measure, to give the President the right to operate the railroads; but answering further, if the Congress had exercised its wisdom in another direction it might have authorized the discontinuance of the operation of the Sherman law and given the railroad companies through their experienced managers the same power to coordinate the railroads into one system that they give the President, and they would have reached better results.

Mr. SIMS. In the first place, the gentleman is mistaken when he says last summer. In 1916, August 29, the Congress, in an amendment to the military appropriation bill, made provision for the President to take over the railroad systems. That was before we were in any war at all. That was when the only cloud on our horizon was the gentleman in Mexico—

A MEMBER. Our war with Mexico.

Mr. SIMS. We had no war with Mexico; we were there to assist the authorities in Mexico to apprehend and capture the Mexican bandit, Villa, that had crossed into American territory and committed murder within the jurisdiction of the United States.

Mr. MADDEN. It was not a very successful expedition.

Mr. SIMS. This is not the time for levity, and I do not mean to inject anything of the kind into the debate. I want to call to the attention of the gentleman that in making that provision it contemplated only the use of such a system of railroads as might in our opinion be necessary to put under Federal control so far as the conflict with Mexico or the Mexicans, or in the aid of Mexico, was then necessary. Of course, it was not necessary in a small undertaking, in a small disturbance, to turn over all the railway systems and to make all the provisions that may be necessary when we are in actual war with the greatest military power in the world.

Mr. MADDEN. I want to say to the gentleman that I am in close accord with the closest unification of these railroads as one system for the purpose of aiding the war activities in the best and the most expeditious way, but that does not imply that I am in favor of the President of the United States making commercial railroad rates.

Mr. SIMS. I hope I will be able to bring the gentleman around to that view of it.

Mr. MADDEN. I do not think the gentleman will.

Mr. SIMS. Do not let us have any prejudged immovable barriers as to what is best for the country. What is the Interstate Commerce Commission? It is a body created by Congress for the purpose of enforcing regulation of railroads. In what capacity were the railroads to be regulated? The railroads were private corporations, private enterprises, doing a public business and had been guilty, or so alleged, of granting rebates and discriminations between the shippers and com-

munities, and of being guilty of unfair practices, and a thousand and one things not necessary to enumerate. The commission was created for the purpose of regulating privately owned competitive railroad companies, to prevent these companies from abusing their powers, and to make them act according to the rule of right and justice and not to destroy any community by giving another a favored rate, not to build up and make millionaires out of some shippers by giving them rebates and other advantages of transportation.

Mr. MADDEN. Let me ask the gentleman—

Mr. SIMS. Will the gentleman from Illinois let me finish? He asked me a question that demands a long explanation, and I can not say what I want to say in another man's language, but I must say it in my own way. Legislation was had with reference to the operation of competing railway systems serving the public as to reasonableness of rates, the fairness and justice of these rates. We know that from the time that the Interstate Commerce Commission was created as a rule the railway companies fought every effort that was made by the commission to execute its powers in the public interest, and fought all laws that were enacted by the Congress for their proper regulation, and many of them were held by the courts to not be what Congress clearly intended they should be, until finally Mr. Roosevelt was elected President of the United States by the largest popular majority, as I now remember, of any candidate theretofore elected, and was elected upon a platform that did not require him to advocate any enlargement of the powers of the Interstate Commerce Commission.

It was a day when we had universal corporate prosperity, and almost all other sorts, measured by money. The railroads were happy, and all other corporations were happy, and the Republican Party, having been returned to power with the greatest popular majority it ever had and one of the largest in the House of Representatives, was happy. Your unruly President, however, would not be happy, but demanded justice to the shipping public. It was absolutely impossible for the managers of corporate properties to understand it, or to conceive why on earth he was not "practical" in that as well as in some other matters. He advocated in a message to Congress, without any pledge in his platform, without any election pledge of his own, that the Congress enact legislation strengthening the powers of the Interstate Commerce Commission so as to make it worth its salt, and you know and I know—the gentleman from Illinois [Mr. MADDEN] was here—what a tremendous fight the corporate owners and the owners of corporate securities made against any effective legislation along that line. The gentleman knows that if it had not been for the prestige of the man who had just been elected President of the United States and for his bulldog determination to have the legislation he advocated that bill would not have passed the Congress that did pass in 1906 increasing the powers of the Interstate Commerce Commission. And whatever you may say about the ex-President of the United States and all of the useful things that he has done and some things that he has done that are not so useful, I want to say that that one act of his in bringing the party that had been absolutely dominated, as far as that election was concerned, by corporate interests to the enactment of that legislation is something that ought to, and will, make him live in history through the ages—showing that we can trust a man to do a great deal, to accomplish a great result, when he has justice and right on his side, regardless of the opposition of the millionaires and all of the politicians who had fattened on corporate contributions to the contrary notwithstanding. [Applause.]

Mr. GORDON. Has the gentleman finished answering the question of the gentleman from Illinois?

Mr. SIMS. No; I have not. Now, I want to call the attention of the gentleman from Illinois to another thing. That law had hardly been placed on the statute books and had been interpreted before a proposition was brought in here to create a special court to have exclusive jurisdiction of all suits brought to test the validity of the orders of the Interstate Commerce Commission, and some very, very good men, both in Congress and out, believed in it.

The cry was that these suits were so many and so vast and so important that they could not be heard and determined in a reasonable time without a special court to do nothing else. The Congress, as I believe, over the opinions of a majority of the House, permitted that to go into the legislation of that day, and we commenced then immediately to have that court abolished. Before it was abolished it had decided a number of cases that had been brought to enjoin the orders of the Interstate Commerce Commission, and on those cases being passed on by the Supreme Court of the United States on appeal, about 80 per cent were reversed. Then Congress, in its wisdom, abolished it.

The court never should have been established in the first place. It was a way to get around, to circumvent, and destroy the effective powers of the Interstate Commerce Commission—having a special court that was open to nobody except those who were attacking the orders of the commission.

You see how difficult it has been to secure legislation making this commission worth its salt in time of peace, but it is all based on the theory that you have got private greed to contend with, that you have competitive conditions to contend with, and there is not a syllable of law that now exists that provides that the Interstate Commerce Commission shall initiate one single rate. The commission can not initiate rates. It is absolutely without power to do so. All it can do is to suspend the rates when filed by a carrier or by carriers, either upon its own motion or upon complaint, and then after having full hearing determine a maximum rate, not over and above which would be reasonable. Therefore, its function is not initiative, but is in the nature of veto. We are now in war. We are parties to this war. It may become absolutely necessary at any time to transport bodies of troops and munitions without any compensation to the carrying railroad. It may be absolutely necessary, though we hope few such cases will ever arise, in which a rate, to be worth anything, must be initiated immediately. This bill with great caution provides that the President may initiate a rate when he in the public interest deems that it is necessary.

Mr. BURNETT. Mr. Chairman, will the gentleman yield?

Mr. SIMS. In a moment. Then upon complaint it is referred to the commission which investigates and reports to the President as to the justice, reasonableness, and fairness of the rate, and then he may still maintain that rate, but you know, and I know, there never has been a President of the United States under such circumstances, especially if the rate affected commercial products in ordinary commercial transit of the country, who would not do exactly what the Interstate Commerce Commission advises in such a case.

Mr. GORDON. Then, what is the use of conferring the power if he will not exercise it?

Mr. SIMS. The gentleman has asked a question. I did not say that he would not exercise it. I said upon reference to the commission and the commission found there was any injustice in it, any discrimination, anything unreasonable, and it affected the ordinary business of the country, there is not a President the country has ever had who would not make the rate in accordance with the recommendation of the commission.

Mr. MADDEN. Will the gentleman yield for one more question?

Mr. SIMS. I promised sometime back to yield to the gentleman from Ohio [Mr. GORDON].

Mr. GORDON. The function of making rates is a legislative function?

Mr. SIMS. Quasi.

Mr. GORDON. Quasi? No; it is a legislative function. Is that true or not?

Mr. SIMS. Go ahead and ask the question.

Mr. GORDON. That is the question I want the gentleman to answer. Is it a legislative function or not?

Mr. SIMS. I said quasi, in the nature of a legislative function.

Mr. GORDON. That is the gentleman's judgment about it?

Mr. SIMS. Yes.

Mr. GORDON. What is there about the country being in war that makes the President of the United States competent to exercise a legislative function. The gentleman has just said we are in war, and that the President would not exercise this power, anyway; that if the Interstate Commerce Commission found the President was wrong—the President has not very much to do, of course, in time of war except to fix rates—now, the gentleman says if the Interstate Commerce Commission after investigation—and it can not fix rates until it does investigate—finds that the actions of the President were erroneous that the President will reverse himself. Now, if that is so, why not leave the power where the law puts it now?

Mr. SIMS. Now, I will answer the gentleman when he gets through—

Mr. GORDON. Answer that.

Mr. SIMS. All right. Now, the gentleman says, leave it where it is.

Mr. GORDON. Yes; where the law puts it.

Mr. SIMS. Does the gentleman know where it is?

Mr. GORDON. Yes.

Mr. SIMS. Where is it?

Mr. GORDON. Under the Interstate Commerce Commission, which is where this body put it.

Mr. SIMS. No, sir.

Mr. GORDON. Where is it, then?

Mr. SIMS. The railroads initiate their own rates.

Mr. GORDON. It does not fix them, though.

Mr. SIMS. A railroad initiates the rates, and after a certain date they go into effect unless suspended by the Interstate Commerce Commission. Now, there is a whole lot of difference in recommending it, where it is up to the railroads to initiate rates and to depend upon the Interstate Commerce Commission to vacate them or set them aside or reduce them in time of war, and letting the President initiate a rate which goes into effect immediately as a war necessity.

Mr. GORDON. Well, but the gentleman does not allow the President to initiate. I will favor giving the President power to initiate rates, but I would not want to give him power to fix them absolutely. The gentleman converts the Interstate Commerce Commission into a debating society.

Mr. MADDEN. Will the gentleman yield for one more question?

Mr. SIMS. Just make it as short as the gentleman can.

Mr. MADDEN. It will be short. Under the present law the railroad companies have the power to initiate a rate, but they can not file a rate unless the Interstate Commerce Commission decides that they have a right to file it, and after they do file it the Interstate Commerce Commission can suspend it and then finally pass upon it.

Mr. BURNETT. Will the gentleman yield?

Mr. SIMS. In just a moment; I can not answer now.

Mr. BURNETT. And I would suggest to the gentleman that he be brief, too, in answering.

Mr. SIMS. I will try to, but the gentleman knows what a long-range question the gentleman has asked.

Mr. OLNEY. Will the gentleman yield?

Mr. SIMS. I am trying to answer the gentleman from Illinois. I would state briefly I have been interrupted so that I have forgotten exactly what the question was. Will the gentleman state it briefly?

Mr. MADDEN. The question I put was rather in the form of a statement; that under the present law that the railroad companies have the power to initiate the rates, but they have no power to file a rate unless the Interstate Commerce Commission permitted them to do it. Then after they do file the rate the Interstate Commerce Commission still has the power to suspend the rate for a given period.

Mr. SIMS. That is true.

Mr. MADDEN. And when the rate is finally made the Interstate Commerce Commission makes it.

Mr. SIMS. Yes; that is true, and as I said a while ago the power of the Interstate Commerce Commission is to act on rates made by privately owned, privately operated competitive companies in time of peace to prevent injustices between the several shippers and communities, but in no sense to exercise a power—

Mr. MADDEN. The gentleman is not going to give that power in this bill?

Mr. SIMS. When this war commenced we did require by an amendment to the bill increasing the commission that before a railroad could file a rate that it should be approved. Why did we do it? The commission was up to its ears in very important business. The commission was up to their eyes in very important business, and under the rules and the law when the railroad filed its rate, it would go into effect in 30 days and become a rate subject, of course, afterwards to suspension by the commission on complaint, and in order that the commission might have absolute control we amended the law, and have limited the time so as to cover the war period; so, in order to file a rate and have it go into effect, we require it to be approved by the commission before filing.

Mr. BURNETT. As I understand from your bill, you give this power to the President? That is, he may exercise it in regard to rates on railroads that are entirely inside of the border of a State, where the freight is entirely intrastate freight. Would not that absolutely, by this kind of legislation, destroy the power of the State railway commissions to fix intrastate rates on intrastate railroads, and so forth?

Mr. SIMS. My understanding is that it absolutely would not.

Mr. BURNETT. That is the way I understood the gentleman.

Mr. SIMS. The railroads are taken over as a war measure. We have hardly any intrastate railroads that are not connected with lines outside of the State.

Mr. OLNEY. Many of us who voted for the Adamson bill hoped that legislation would follow so as to meet this eight-hour bill with wage increase—that is, a bill to increase the freight rates and passenger rates of the railroads—but that legislation did not follow, for which most of us were sorry. Under this bill the Government proposes to give the railroads

an increase of freight and passenger rates, does it not, which it refused to do under private conditions?

Mr. SIMS. The bill does not propose anything. It only gives the President power as an exceptional matter and in the public interest to initiate rates. The rates that he so determines are to be in the public interest.

Mr. OLNEY. Let me give an illustrative case. The Norfolk & Western Railroad in shipping wheat to Baltimore in 1910 maintained about the same freight rate as it does at the present time, and the carriers of wheat in Virginia last year, receiving \$2.40 and \$3 a bushel for their wheat, paid about the same rate as they did in 1910. Now, it would be possible under Federal control, which was refused under private ownership, to increase the freight rates?

Mr. GORDON. And tax the farmer on the wheat because he was getting a higher price for it?

Mr. OLNEY. Yes.

Mr. GORDON. Yes. And that is the reason I am opposed to it.

Mr. SIMS. Let me answer the question. We legislate with reference to probabilities and probable necessities, and not with reference to possibilities and possible necessities. I do not see any necessary relation between the increase of war prices on wheat or corn or pork and the freight charge for their carriage. The only way that I can see where it burdens the carrier more than it did before is that, if the carrier is made responsible for the loss of wheat, pork, or corn, it would have to pay more in the nature of insurance. But the law says a reasonable rate, and a reasonable rate is one that gives a fair return upon the money actually invested and used in performing the service.

Mr. OLNEY. In your investigation you found, probably that some of the small railroads at least were on the verge of bankruptcy and welcomed Federal control but probably not Federal ownership?

Mr. GORDON. The New Haven, for instance.

Mr. OLNEY. But when the railroads are put on their feet by the Government, for instance, after the war is over they will go back to their original ownership and not necessarily welcome Government ownership.

Mr. LENROOT. Mr. Chairman—

Mr. SIMS. I yield to the gentleman from Wisconsin.

Mr. LENROOT. The gentleman has referred several times, and it is also found in his report, to the powers of the President to make rates as war powers of the President. I would like to know upon what theory the gentleman contends that the power to make rates is a war power of the President?

Mr. SIMS. I do not mean rates in general.

Mr. LENROOT. Any rates.

Mr. SIMS. I think he has got the power to order a railroad company to carry soldiers and sailors anywhere without any compensation.

Mr. LENROOT. I am asking on what the gentleman's theory is based that the making of rates is a war power at all.

Mr. SIMS. I do not care whether it is a war power or not, just so he has the power to do that which may be absolutely necessary in the successful prosecution of the war.

Mr. LENROOT. Now, will the gentleman yield?

Mr. SIMS. Yes.

Mr. LENROOT. Can the gentleman think of any possible situation, whether we have one rate or another, where it would have the slightest influence on the President carrying on the prosecution of the war, when the Government, under the gentleman's bill, must pay the bill, either by revenues or some other way?

Mr. SIMS. Well, that is an argument.

Mr. GORDON. It was a pretty hard one, too.

Mr. RUSSELL. I want to ask a question or two about another branch of this bill.

Mr. SIMS. Mr. Chairman, how much time have I left?

The CHAIRMAN. The gentleman has five minutes remaining of the first hour.

Mr. RUSSELL. As I understand this bill and the proposition embraced in it, the Government takes charge of only a part of the railroads of the country. It does not include in the order of control a lot of short lines in the United States, does it?

Mr. SIMS. It includes all of them.

Mr. RUSSELL. It includes all the railroads?

Mr. SIMS. I will explain that to you. It is in the bill. The bill as now reported, which was, of course, amended from what it originally was, provides in cases where it would be plainly inequitable to apply a standard return that the President may make a settlement with roads taken over without any reference to standard returns. Section 9 provides that where a short line or any road is not taken over there shall not be such a

change and rerouting of freight as will injure it, but if they find it necessary to reroute freight, then the President is authorized to require the road to which it was rerouted to make up that loss by routing an equal amount of freight to this line that was not taken over.

Mr. RUSSELL. Section 9, as the gentleman states, assumes that some roads have not been taken over, as it speaks about the remedy in case of those that are not so taken.

As I understand the provisions of this bill, some roads have not yet been taken over, but may be hereafter.

Mr. SIMS. That is possible.

Mr. RUSSELL. Does not the gentleman believe that if the policy of the Government and of the President under this bill is to take over certain roads to the exclusion of other smaller roads, that fact of itself will depreciate the value of the stocks and bonds of the short lines not taken over and will tend to drive them into the hands of receivers?

Mr. SIMS. Not under the bill that is now prepared and reported.

Mr. RUSSELL. Does the gentleman think this bill will sufficiently safeguard the rights and interests of those roads that are not taken over?

Mr. SIMS. Section 9 was drawn in consultation with those very gentlemen.

Mr. RUSSELL. Were the representatives of the short lines of the country satisfied with this provision?

Mr. SIMS. They drew the provision in this form.

Mr. WALSH. Mr. Chairman, will the gentleman yield for a question?

Mr. SIMS. If my time permits I will.

Mr. WALSH. Did the gentleman intend, in answering a question of my colleague [Mr. OLNEY], that because the farmers received more for their wheat in the last year or so, therefore the freight rates on wheat should be increased?

Mr. SIMS. No; I did not say they should be increased.

Mr. WALSH. I could not understand what was taking place.

Mr. SIMS. There was no relationship in that at all with the increase per se. It is provided that the roads shall receive reasonable compensation.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. SIMS. Mr. Chairman, although my time has expired, I did not complete all I wished to say, but I could not answer questions and at the same time explain the bill as fully as I would like. But I felt I could not decline to answer questions under the circumstances.

Mr. GREEN of Iowa. Would the gentleman like to have his time extended?

Mr. SIMS. No; I thank the gentleman. The gentleman from Wisconsin [Mr. ESCH] will follow me.

Mr. MOORE of Pennsylvania. I move, Mr. Chairman, that the gentleman's time be extended.

Mr. SIMS. I thank the gentleman, but the gentleman from Wisconsin and myself are trying to arrange the distribution of the time equitably.

Mr. MOORE of Pennsylvania. The gentleman is chairman of the committee, and very many Members would like to interrogate him concerning certain paragraphs in the bill.

Mr. SIMS. The only trouble is that all the time I take over the hour will be taken out of somebody else's time who would want to use it.

Mr. MOORE of Pennsylvania. But the gentleman is chairman of the committee.

Mr. ESCH. Mr. Chairman, I yield one hour to the gentleman from New Jersey [Mr. PARKER].

The CHAIRMAN. The gentleman from New Jersey is recognized for one hour.

Mr. PARKER of New Jersey. Mr. Chairman and gentlemen of the committee, while I have prepared a considerable amount of notes upon this general subject, yet it seems to me that perhaps I can make it plainer by saying less.

PROVIDE FOR ADJUSTMENT OF COMPENSATION.

The matter before the House is this: There is no doubt about the necessity and power of the President to control the carriers of this country. There is no doubt that if we pass no law the carriers would be paid reasonable compensation through the courts. There is no doubt, however, that unless we provide some agreement as to such compensation, as we do by this bill, the courts would be swamped, the delay in paying that compensation would upset and destroy every railroad security throughout the country, and with it our financial markets and our Government credit in selling upon those financial markets, and that this bill allowing an agreement as to compensation is a necessity.

We might go further. I think we would have the right to fix the compensation in war times, at least provisionally. We have not done it by this bill. We leave it to agreement or the courts. The majority and the minority have agreed about the principle of that agreement for compensation, that the railroads and carriers shall not be paid for extra profits that would be made by war business, but shall be paid on a standardized statement of what they actually made before the war began. In this we follow the example of England.

REPAIR AND NEW EQUIPMENT.

We have likewise agreed that the Federal Government should keep the property in as good repair as it received it. That is just. We have likewise provided, inasmuch as our railroads have in a measure fallen down and are out of equipment and somewhat out of repair owing to causes that we need not go into, that the Government may buy new equipment and furnish that repair.

The committee has made a material amendment. The bill as presented by the Government provided that all new cars and rolling stock shall belong to the Government, so that at the end of the war they would have on hand any amount of rolling stock that they would not know what to do with. We have provided that they may do that, or that they may assign the equipment to the various companies and arrange that their securities be issued and the interest taken care of, so that that matter may be adjusted as the war goes on, which we think is much better. In this respect the House bill differs from the Senate bill, and the House ought to insist on the House provision.

BETTERMENT ACCOUNTS.

We also tried to give general powers to adjust the difficult question as to renewals and betterment account. If before the war any railroad did not make proper renewals and repairs, or charged what were really repairs and renewals, and not improvements, to capital account, they thereby increased on paper their return of net operating income, and the Government would seem to be paying them too much. What is more, in taking over a railroad of that sort which had run down, the Government would have to do extraordinary repairs at its own cost to put the road in order. There is a provision by which that can be somewhat adjusted. I myself think that little adjustment will be necessary, because, instead of taking the income of the last year before the war, which was large and which, I think, the companies were fairly entitled to, we have taken the average of three years before the war, including one year which was very small, and the difference between the average income and the income of 1917 will take care, I think, of all extraordinary questions of repair.

I think also it must be taken into consideration that we do not pay for the enormous war business which the Government will do upon these roads, and that we could fairly cut the Gordian knot by assuming those repairs on Government account.

TIME LIMIT WHEN WAR ENDS.

One question was strongly debated. This is a war power, and control should, in principle, end with the war. The committee have agreed that a reasonable time after the war shall be limited in which the railroads shall be given back. The minority think that the 2 years which they have allowed, and even the 18 months allowed by the Senate, is too long; that 1 year is enough.

RATE CONTROL OF INTERSTATE COMMERCE COMMISSION.

There was one other question of difference in the committee: The majority have agreed that rates during the war shall be finally in control of the President of the United States. The minority are of opinion that such control, which is a legislative matter, can not be given to the Executive, but must remain in the hands of the Interstate Commerce Commission, as heretofore, and we think that all the more because the power to raise rates would give to an Executive the power of taxation, which can not belong to any Executive.

PRESIDENT MAY SURRENDER.

There is another matter in which I perhaps am giving only my own opinion and not that of the minority: The President, when he took control, said he reserved the power to surrender control at any time. The bill takes that power from him and only allows him to surrender control before July next, except by agreement with the carriers, which he might not be able to make, and he is bound therefore to hold those roads until the expiration of the time limit when the necessity may have passed.

The Senate, while providing that single roads can only be surrendered by consent under certain conditions, has added the provision that all roads may be surrendered by the President at any time if he thinks the necessity for holding them has passed. I think that is right and should be inserted in our bill.

STATE TAXATION SHOULD BE STANDARDIZED.

There is one other matter which I consider of more importance than is thought by other people. That is the subject of State taxation. We allow to the companies as revenue the net operating income which they received before the war, and they do not get any more because of increased Government operation during the war. I think the same principle ought to apply to taxes by States, counties, and municipalities, and that they should not tax Government war operations. Twenty States put a tax upon gross receipts, which would include the receipts of such operations. Therefore at the proper time I shall propose an amendment by which the Government of the United States, in control of the roads, shall pay to every State, county, municipality, or taxing board, whatever it may be, the same amounts of money each year that the property now or hereafter acquired was assessed for in 1917.

This, Mr. Chairman, is merely a statement of the issues of the bill thus far, which I hope to be able to enlarge upon. For fear I would not get through so complicated a matter I thought it best to make the statement as clearly as I could at the beginning.

How many minutes have I used?

The CHAIRMAN. Fifteen minutes.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New Jersey. I would rather go on with my description.

Mr. TOWNER. If the gentleman would prefer not to be interrupted—

CARRIERS ARE CONTROLLED—THE SYSTEM, NOT MERELY PROPERTY.

Mr. PARKER of New Jersey. I prefer for the present not to be interrupted. When I reach the topic that the gentleman wishes to speak about I shall be glad to be interrupted. I have said that the power to take these roads is beyond question. We acknowledged rather than gave that power by the act of 1916, which provided that in time of war the President might utilize all systems of transportation. It is a universal war power. If a general wants to move his forces within the war zone he takes from any farmer his wagons, teams, and teamsters, and carries with those horses and wagons and teamsters whatever he desires to transport, and pays the farmer for their use. That is what we are doing now. In time of war the sea has always been subject to military control, and every nation at war has tried to get the full control of the sea. Now, land transportation has grown, by the system of railroads, into a system of incorporated carriers that have 1,700,000 employees, and capital estimated at over \$17,000,000,000. In the last year they made \$1,000,000,000 of profit and collected \$3,500,000,000 of revenue during the year, three times what the United States does in peace times. We control these carriers. I point out this, however: We did not take rails and buildings and cars. We took the systems, something that will go, the organization. We do not make 1,700,000 men Federal employees, subject to political appointment or civil service or Government insurance or compensation. We do nothing of the sort. We utilize these systems in the service of the Government. We are controlling, and the systems taken over are called in this bill very properly the "carriers." I mention that because so many people think we have taken all these men as our civil servants, and that we have taken the railroad property to become property of the United States.

TAKE AND PAY FOR WAR USE ONLY.

We might have to do that. We do not do it now. We utilize the systems. As I have said, control was necessary, that the war power must be exercised in this way; but when I have said that, I say likewise that the taking is an emergency war taking and nothing else. Constitutionally the President could only take, under the interstate-commerce power, interstate roads. He took all, even those running from a town down to a shipyard in a State. He may take every trolley road. He has taken everything that will do the work of the war, and he does that also because we could not afford to take under the commerce power. That would be a permanent taking, and we would have to pay the whole value of the roads, and we can not raise at least \$17,000,000,000 in addition to our war debt in order to pay every stockholder and bondholder of these roads what they are worth. It is therefore an emergency taking, and only the taking of the use—the use during the war. Let us not forget that. It was proposed by the original bill, and there may be an effort made to put it back, that we should take until Congress otherwise orders. That means that under the present law we would hold them forever, and under such a taking we would have to pay for them. Under the war power we take all roads, not forever, but the use of them for the period of the war and for a reasonable time thereafter. The House, I know, will stand by that.

If the United States took them until Congress otherwise provides you might as well call it Government ownership. What is more, it would be dangerous to take with the idea that a law giving the railroads back could be passed promptly. It is hard to pass a law through Congress, with the vote of its two bodies, and with the assent of the President. Delays are possible by single men. In one body of this Congress one man can stop almost any legislation. If we took the carriers in that way, subject to return only by act of Congress, that act would be likely to be delayed by one of the two parties. If the Government found it pleasant to run all the roads and to take care of 1,700,000 employees, the Government might block the act. If the carriers found it pleasant to get dividends without doing any work, the carriers might block the act.

TIME LIMIT INSURES RETURN.

The only way to be sure to have the roads returned within a reasonable time after the war and to have the necessary legislation is to fix a time. I think that the time should be short. If we fixed it at six months, there would probably be a year or two occupied in the details of arranging the treaty of peace, and, added to that and during even six months if necessity arose, it would be quite possible to extend the time by act of Congress; while, on the other hand, if the matter has to be provided for then, it will be provided for, and it never will be so provided if the time is left in uncertainty and not limited.

AND AVOIDS FINANCIAL UNCERTAINTY.

It is objected that at the end of the war a time limit would cause trouble about finance and uncertainty in the stock markets. There would be still greater danger of uncertainty in the stock markets if the uncertainty remained as to whether the roads would ever be given back and uncertainty as to the terms on which they should be given back. The quicker the better. [Applause.]

POWER OF SURRENDER.

The President should have the power of surrender. If this war ended promptly, but there was much delay in settling the terms of peace, the President would want to hand back the roads. He should have the power to hand them all back.

He reserved that power in his proclamation, "and, by subsequent order and proclamation, control and operation in whole or in part may also be relinquished to the owners thereof of any part of the railroad systems and rail and water systems, possession and control of which are hereby assumed." It is reserved in the Senate bill containing the further proviso "that the President may relinquish all carriers under Federal control at any time that he shall deem such action needful or desirable." (S. 3752, p. 14, lines 13 to 15.) He should have this power for the protection of the Government, which should not be forced to keep the carriers when the war necessity is past, and for the protection of the carriers who are entitled to return of their property when the war needs are over. By the Senate bill the President may not surrender single roads after July 1 next except by agreement, but he may decide when the need of war control is over and surrender all roads.

To limit his power to give up the Federal control of all carriers is not only improper but it is unconstitutional if it limits the war power of the President.

VALUE OF USE AT TIME OF TAKING.

Most of these questions would come up without any new legislation. Federal control would be for the war and for a reasonable time thereafter, and the United States must pay the value of the use, but it is a good deal of a question on what principle that value should be agreed on or settled. The use taken is temporary. The principle in all takings of a temporary use is to pay the value of the use at the time of the taking. This can be obtained from the previous experience, the net operating revenues of the carrier. The bill provides that the carriers shall each be paid the average annual railway operating income for a period of three fiscal years ending June, 1917. This includes on the one hand nearly three months after war was declared—from April 6 up to June 30—but these three months may be disregarded, as little war business was done by the Government during the three months, because the United States was not ready to begin.

AVERAGE OF 3 YEARS IS FAIR.

These three fiscal years, however, ending June 30, 1915, 1916, and 1917, were three years of war in Europe. The first year, 1915, was a year of depression, because all of our financial markets were upset and we had not begun exporting business to Europe. The carriers made almost no money. In 1916 the exports of war munitions and materials began and continued, and it was a prosperous year; 1917 was almost more so. We recognize that the carriers have the right to the business which they did because of war needs elsewhere. We do not

think they have a right to profit from the extra business that they do for United States war needs here. But during the war elsewhere they have a right to the average business that they would do by reason of the war elsewhere. If the central powers could blockade Europe, it might reduce our railroad business to a minimum, but as they did not our growing exports increased the carriers' business, and so it may be fair on the whole to take the average of the three years.

England had no such trouble. She took a peace year before the war.

Mr. BORLAND. Will the gentleman yield?

Mr. PARKER of New Jersey. I will yield on that point.

Mr. BORLAND. The gentleman is a distinguished lawyer; he has been chairman of the Judiciary Committee of this House, and I want to ask him his judgment as to what the railroads would recover for the use of their property in case we made no provision by law?

Mr. PARKER of New Jersey. I do not know; I think that the rule as to the taking is to ascertain the value by the conditions at the time of the taking. I think, for instance, if I took a lease out of your hands by legal force, you would be entitled to a continuance of your profits during that time, but not the profits that I might make by putting in another business. I think the railroads are entitled to a continuance of their profits before the war, but not entitled to the benefit of new business done by the United States during the war.

Mr. BORLAND. One question more. Is it not the recognized rule of law that before the person can recover for profits he must show that the profits spring out of the existing contract, which he is bound to prove? He can not recover for speculative profits.

Mr. PARKER of New Jersey. We have tried to make an agreement based on the standard income of the railroads before the war.

AND WILL BE ACCEPTED.

Mr. BORLAND. Let me ask the gentleman one more question. You have fixed in the bill a compensation for the period of three years. Then you go on in another case and say that the President may make other arrangements with smaller roads. Now, that means that the big roads can take the money if there is a profit, and if there is not a profit why can not they go into the court and insist on the legal rate?

Mr. PARKER of New Jersey. They certainly can; but the reason they do not want to do so is because they do not want to knock the prices of their stocks and bonds by leaving the matter uncertain when they know that they can settle it right away.

Mr. BORLAND. Yes; but suppose the money we offer them under this bill turns out to be less than they think the value of their property is?

Mr. PARKER of New Jersey. They can go into court if they want to, but they take the risk of not being able to pay their dividends during the period of litigation, and on the whole we think an agreement is going to be made.

Mr. BORLAND. It is only a moral question?

Mr. PARKER of New Jersey. It is only a moral question. We think an agreement is going to be made.

Mr. TOWNER. Mr. Chairman, will the gentleman yield on that point?

Mr. PARKER of New Jersey. I would like to go on on that point for a moment. In addition to the principle about taking a short use in a lease, that the United States represents the whole people, who have the right to the free use of the carriers for necessary war business, paying only the damages that the system suffers by interference with its ordinary business. I believe that to be good law. I yield to the gentleman from Iowa.

PAR OF STOCKS NO MEASURE OF VALUE.

Mr. TOWNER. The amount that will be received under the terms of the bill by some of the railroads, as the gentleman well knows, will be very large.

Mr. PARKER of New Jersey. Can not the gentleman reserve that until it is reached?

Mr. TOWNER. That is directly with regard to this proposition.

Mr. PARKER of New Jersey. Ask your question, then.

Mr. TOWNER. I will if the gentleman will give me the time.

Mr. PARKER of New Jersey. I will, with great pleasure, but the trouble is to get the time.

Mr. TOWNER. I do not desire to interrupt the gentleman.

Mr. PARKER of New Jersey. Go ahead; I am glad to have the gentleman ask the question.

Mr. TOWNER. The Lackawanna Road will receive 32.91 per cent; the Cincinnati & Texas Railroad will receive 44 per cent;

the Burlington Road will receive 22 per cent; the Chicago & Erie Railroad will receive 70 per cent; the Duluth & Mesaba Road will receive 114 per cent; the Colorado & Wyoming—

Mr. PARKER of New Jersey. Oh, you need not have your whole list. What is the question?

Mr. TOWNER. Just wait until I ask the question.

Mr. PARKER of New Jersey. I really can not wait for a whole list of railroads. I will answer the question before you put it; and that is, that the market value of those roads is not par. Those dividends are reckoned on par. They have long had standardized dividends, which have standardized the value of the stocks in the market, which are represented by the investment in the roadbed and the road property, and which we can not disturb now in time of war. Ten per cent paid on the United Railroads of New Jersey, under a lease, is paid really on a stock-market price in time of peace of 230, and it is less than 5 per cent.

Mr. TOWNER. I think perhaps I knew that as well as the gentleman, but this is the proposition. I was trying to show that a great many of these railroads were receiving very large and excessive profits, perhaps, and there are a great many railroads that will not receive anything. Does the gentleman think that the Government will be compelled to pay them upon anything like such a rate as these roads are receiving or what will be the profit?

Mr. PARKER of New Jersey. I will answer that question, and I will ask not to have another question right here. I will answer that question by saying that those are not the profits on the value of the roads but the profits on the par value of the stock, and in the case of the Lackawanna I think it goes to about 300. It is away up above par. I have no doubt that it is so with all these other roads. As to the roads that are making no profit by reason of the fact that they are in receivership or not completed, power is given to make special contracts, which will take care of them. All those details will come up when we get to the reading of the bill. It is the best that we can do to take things as they are. If you take things as they ought to be, you would never get through the courts.

Mr. TOWNER. The gentleman thinks that we are criticizing. We are not criticizing; we are just trying to receive information from the gentleman. The members of the committee are supposed at least to know something about these things. It is not for the purpose of criticizing that these inquiries are made. The gentleman seems to be very much irritated.

Mr. PARKER of New Jersey. I am not irritated at all; I am only trying to save my time. I have a great deal of information to give to the House that I really do know about, and I do not know about this.

POSSIBLE MODES OF VALUATION.

There are several methods by which the value of the use taken could be ascertained. The first is to throw the whole question of what is reasonable compensation into the courts; a second is to pay a fair interest on the cost; a third is to pay for business actually done; a fourth is to pay, as in this bill, a standardized rental based on prior incomes; and a fifth is, as is done in England in respect to controlled trades, to add to this standardized rental some part of the profits which are obtained from war business so as to make the owners of every business alive in its management so as to achieve efficiency and the making of profit. It is interesting to consider the precedents under these various plans.

1. CONDEMNATION PROCEEDINGS.

The first course is to throw the whole compensation into a commission or into the courts. In the Civil War the United States did actually under the act of January, 1862, take possession of roads where the public safety required it, which included only roads and telegraphs running into the Confederate States, and as to those roads and telegraphs it provided that the damage and reasonable compensation should be ascertained by a commission. I have not followed out how that was done. Roads and telegraphs taken were already ruined by their being cut off by the war zone or boundary, so that they would not receive a very large damage anyway by being taken by the Government. It was easily arranged, and there were only about 2,000 miles of them in all, so that it is not a precedent; but it can be said that if we were to throw all of the railroads of this country into a commission or court to determine the question we would swamp the commission or the courts and we would never get through.

2. INTEREST AS A VALUATION.

Now, the second one has been proposed by gentlemen who make the same objection made by the gentleman from Iowa.

[Mr. TOWNER]. Will the gentleman give me his attention for a moment. The second proposition was to pay some rate—not more than 4 or 5 or a reasonable per cent—on the value of the carriers' property. The trouble with that plan is that no one could ever find out what the real cost or value of the roads was. The stocks and bonds in some cases were far below the amount invested in the roads, and in some cases they were far above the cost. The Interstate Commerce Commission has worked five years trying to get a valuation of the railroads and have not made a single valuation, although they have figures on two or three roads on which valuations can be made. Who will say what rate of interest ought to be paid in different parts of this country where interest varies? Who will say on what value it shall be paid? It would be a greater trouble, worse than to ascertain reasonable compensation, and it can not be adopted.

3. PAY FOR BUSINESS DONE—EXPERIENCE IN THE CIVIL WAR.

Now, the third plan is to pay for the business actually done. The United States did that during the Civil War. The Government did not take over the great mass of railroads in the United States, and it is interesting to find what business actually was done and what change the war made in that business, because like changes are probable now, other things being equal. The United States paid the ordinary freight and created a railroad profit which largely increased the public expense and the public debt. We do not think it necessary now to do that. The railroad statistics at that time were not kept carefully, as they are now, and it is pretty hard to get statistics from 1861 to 1865. Railroad earnings began to be published in 1862. Railroad stock prices go back to 1854. I can find some statistics even during that time, however, in the Aldrich report of 1893. I have prepared a table which I shall ask leave to print in the RECORD, and I now ask to extend my remarks in the RECORD by printing tables of railroad statistics during the period mentioned, so far as I find them.

The CHAIRMAN. The gentleman from New Jersey asks unanimous consent to extend his remarks in the RECORD. Is there objection? [After a pause.] The Chair hears none.

[Mr. PARKER of New Jersey submitted the following tables, marked A to H, preceded by an abstract of the percentages of the figures of 1861, 1862, 1863, 1864, 1865 to those of 1860.]

	Abstract of tables. in per cent	1860	1861	1862	1863	1864	1865
A	Thousands of tons carried..	100	107	136	152	169	161
B	Millions of tons carried a mile..	100	122	159	177	185	174
C	Average freight per ton per mile, in cents..	100	98	100.4	101	116	137
D	Gross freight earnings..	100	114	163	206	250	274
E	Prices of railroad stock..	100	78	114	173	237	188
F	Average price of gold..	100	100	113	145	203	157
G	Relative wages..	100	110.8	102.9	110.5	125.6	143.1
H	Cost of iron rails..	100	88	85	160	262	205

A.—Aggregate thousands of tons carried between all points (1860-1865). [S. Rept. No. 1394, 2d sess., 52d Cong., pt. 1, p. 621, etc.]

	1860	1861	1862	1863	1864	1865
Boston & Albany R. R.....	859	853	970	1,078	1,175	1,121
Fitchburg R. R.....	395	326	345	419	467	486
New York Central.....	1,366	1,537	1,905	2,107	2,159	1,767
New York, Lake Erie & W.....	1,140	1,253	1,633	1,815	2,171	2,234
Pennsylvania.....	1,347	1,482	2,059	2,265	2,585	2,556
Pittsburgh, Fort Wayne & Chicago.....	465	526	643	806	859	833
Total.....	5,572	5,977	7,555	8,490	9,416	8,997
Per cent.....	100	107	136	152	169	161

B.—Millions of tons carried a mile by railroad (1860-1865). [S. Rept. 1394, 2d sess., 52d Cong., pt. 1, p. 618.]

	1860	1861	1862	1863	1864	1865
Fitchburg R. R.....	9	8	9	13	14	14
New York Central R. R.....	239	280	358	387	387	319
New York, Lake Erie & Western.....	214	251	351	404	422	389
Pennsylvania.....	214	280	376	394	421	420
Pittsburgh, Ft. Wayne & Chicago.....	78	111	126	167	175	194
Boston & Albany R. R.....	56	61	67	69	76	70
Total.....	810	991	1,287	1,434	1,495	1,406
Per cent.....	100	122	159	177	185	174

C.—Average freight per ton per mile in cents, 1860-1865. [From S. Rept. No. 1394, 2d sess., 52d Cong., pt. 1, p. 615.]

	1860	1861	1862	1863	1864	1865
New York Central R. R.....	2.05	1.96	2.22	2.38	2.70	3.26
Lake Shore & Michigan Southern.....	2.16	2.09	2.10	2.30	2.83	2.90
Michigan Central.....	2.18	1.96	1.91	1.99	2.26	3.05
Cleveland, Cincinnati, Chicago & St. Louis.....	2.12	1.86	1.98	2.13	2.64	2.65
New York, Lake Erie & Western.....	1.81	1.77	1.89	2.09	2.34	2.76
Pennsylvania.....	1.96	1.93	2.04	2.19	2.50	2.72
Pittsburgh, Fort Wayne & Chicago.....	1.67	1.71	1.90	2.01	2.38	2.44
Illinois Central.....	2.04	1.91	1.96	1.95	2.51	3.10
Fitchburg.....	4.10	3.94	3.75	3.26	3.51	4.09
New Haven R. R.....	4.01	4.54	4.50	4.09	4.21	4.76
Total.....	24.13	23.67	24.25	24.39	27.88	31.74
Average.....	2.41	2.37	2.43	2.44	2.79	3.18
Per cent.....	100	98	100.4	101	116	137

D.—Gross freight earnings, exclusive from elevators, etc. (1860-1865). [S. Rept. 1394, 2d sess., 52d Cong., pt. 1, p. 626, etc.]

	1860	1861	1862	1863	1864	1865
Philadelphia & Reading.....	\$2,927,778	\$2,517,344	\$3,402,836	\$5,570,343	\$8,157,551	\$9,792,569
New York Central.....	4,943,638	5,557,019	7,972,304	9,449,554	10,685,672	11,000,063
New York, Lake Erie & Western.....	3,884,343	4,351,464	6,642,915	8,432,234	9,835,088	10,723,234
Pennsylvania Railroad.....	4,191,784	5,338,025	7,668,420	8,602,262	10,361,999	11,193,565
Pittsburgh, Fort Wayne & Chicago.....	1,309,714	1,905,707	2,401,630	3,341,034	4,148,504	4,739,063
Total.....	17,257,257	19,729,560	28,088,195	35,395,427	43,208,814	47,451,524
Per cent increase.....	100	114	163	206	250	274

E.—Range of railroad stocks, 1860-1866, month of June.

	1860	1861	1862	1863	1864	1865	1866
Delaware & Hudson Canal Co.....	96½	79	92	140	233	135	145½
Pacific Mail Steamship Co.....	89	59	115	172	235½	283	210
New York Central R. R.....	81½	71½	88½	115½	130½	88½	97
Philadelphia & Reading.....	42	30½	50	89	138½	88	107
Michigan Central.....	46½	39½	62½	106	142½	103	102½
Chicago, Burlington & Quincy.....	68½	53	75	113	129½	104	116
Total.....	424½	332½	482½	735½	1,006½	798½	778
Per cent.....	100	78	114	173	237	188	183

F.—Average annual price of gold (1860-1866).

1860	1861	1862	1863	1864	1865	1866
100	100	113	145	203	157	141

G.—Relative wages in all occupations, 1860-1866. [S. Rept. No. 1394, 2d sess., 52d Cong., pt. 1, p. 13.]

1860	1861	1862	1863	1864	1865	1866
100.0	100.8	102.9	110.5	125.6	143.1	152.4

Generally, railroad wages, except for conductors, did not make large increases during these years. Engineers and firemen increased by 25 to 35 per cent and conductors 50 per cent. (S. Rept. No. 1394, 52d Cong., 2d sess., pt. 1, p. 160.)

H.—Prices (per ton) and per cent of iron rails (standard), 1860-1866. [S. Rept. No. 1394, 2d sess., 52d Cong., pt. 2, p. 189.]

1860	1861	1862	1863	1864	1865	1866
\$48.00 100	\$42.38 88	\$41.75 87	\$76.88 160	\$126.00 262	\$98.63 205	\$86.75 181

Mr. PARKER of New Jersey. I will simply give the results of these tables. The first table is of the thousands of tons carried on five or six roads. It is not very useful because it does not show how long the haul was. Table B is valuable. It gives the millions of tons carried 1 mile, and it is instructive to find that, taking the five or six railroads of which we have statistics, their increase of traffic is so similar on each road that I take it all the roads in the United States did about the same thing. Taking 1860 as 100 to get the per cent, 1861 was 109, 9

per cent more; 1862, 158, or 58 per cent more; 1863, 89 per cent more; 1864, 97 per cent more; while 1865 went back to 85 per cent more; that is to say, that during the war the railroad business about doubled. It will, perhaps, more than double in this war, because there are longer hauls and more munitions to carry. It is more a question of supplying food for Europe and food for our armies than it ever was then. There is likely to be a much greater increase during this war. Table C shows that the average freight per ton per mile, in cents, hardly changed until 1864. It was about a cent—0.98—in 1861, 1.008 in 1862, 1.01 in 1863, but in 1864 it was 1.28, and in 1865 it was 1.31. Table D shows the gross freight earnings, which, taking 1860 as 100, were: 1861, 114; 1862, 163; 1863, 206; 1864, 238; and in 1865, 274, so that the freight earnings increased to nearly three times what they were in the beginning of the war. It appears, however, that their expenses did not vary as they do now. All this comes from Aldrich's wonderful report, in four volumes, in 1893—Wages and Prices During Past Years. Table G shows that the index figure of wages ran only from 100 up to 110 in 1863; it became 125, or a quarter more, in 1864, and 143 in 1865. This rise in wages is nothing comparable to what has taken place already in this country, because at that time immigration was open from Europe, where there was no war, and all the poor people of Europe were coming here to do our work. We had no want of labor.

It is not so now. The cost of materials, iron rails, for instance, did go up. It went down from \$48 in 1860 to \$42.38 per ton in 1861 and down to \$41.75 in 1862, but it was \$76 in 1863 and \$126 in 1864. Those were the conditions. I can not find any table of railroad gross expenses or net earnings. But one thing represents net earnings, and that is the price of railroad stocks, and those prices rose in spite of the rise in the interest rate. In England the railroads are doing more business than they ever did before, but only receiving a standard return; and as Government interest has risen from 3 to 8 per cent, the result is that the people do not care to keep railroad stocks and sell them to buy Government bonds, and the value of stocks has fallen. In America, in spite of the rise of interest during the Civil War, stock that could have been bought for \$100 in 1860 or for \$78 in the panic of 1861 or for \$88 in 1862 would have cost \$173 in 1863, \$237 in 1864, and \$188 in 1865.

The abstract that I have practically read to you is made up of detailed statements, which I file, of such roads as the Boston & Albany, the Fitchburg Railroad, the New York Central, the New York, Lake Erie & Western, the Pennsylvania, and so forth, so far as I could find any statistics of railroads to be used.

Our prosperity in business is likely to be greater now than it was then. The war needs are greater. England and Scotland have enlisted one-ninth of their population, and we may have to do the same. We may have 10,000,000 men on the other side of the water.

More business must be done, especially on the railroads. The amount of freight carried in 1917 will be probably doubled and possibly trebled by the operations of this war. The United States can not be expected to pay the carriers for war freight for all the business done and thus give them two or more billions a year as their profits on war business. They are not entitled to make money out of the United States on war business. It is for that reason that the bill has taken another mode of determining their compensation, and that is the ascertained standard income of the carriers as shown by their standard returns before the war. This is the best that can be done. It is not perfect.

Mr. PLATT. Will the gentleman yield?

Mr. PARKER of New Jersey. I will.

Mr. PLATT. Is the Government paying freight on its war business all the time?

Mr. PARKER of New Jersey. No; it is not now. It will be paying freight to the railroads and getting back all the surplus. It makes no difference.

Mr. PLATT. If the Government is not paying freight on the war business—

Mr. PARKER of New Jersey. I think the Government is paying freight, but most of this war business is not exactly Government business. It is on materials shipped by munition works to the Government, and the works and factories pay the freight, not the Government of the United States, but the Government receives all the net profits from the railroad treasury, and if these agreements are made it will get the benefit of the war freight.

4. STANDARDIZED RENTAL BASED ON PRIOR INCOME.

A fourth plan is to pay a standardized rental based upon prior income. We are following the example of England in taking the net operating income of a period before the war. England had

the advantage that the prior year was one when the world was at peace. The United States has to take years when Europe was at war. In 1915 that war stopped our business; in 1916-17 our carriers got the benefit of the war business of other nations. The three years are probably a fair average of the business as affected by the European war.

5. SHARE WAR PROFITS AS IN ENGLISH MUNITION WORKS.

A fifth course is to divide the extra war profits, as is done in controlled factories. It is a curious matter of history. England and France not only have had to take the railroads, but have had to control labor through the whole country. They could not take one-ninth of their population, more than one-half of their males, into the war without leaving a dearth of labor, while those who have gone to the war make a destruction which has to be supplied. As a result it was found necessary for the Government to control the business of war munitions, and in Pyffe's wonderful book on the subject he says that all practices which interfere with production and are not founded upon law are abolished. The laws protecting women and children in hours of labor are not abolished. But the rules of the labor unions, which prohibit their being employed on piecework, or prohibit one man from working at the trade of another, or prohibit men from being drawn from one allied trade into another, and prohibit the employment of unskilled labor or women or apprentices, these rules are all suspended, so that no workman can make any objection. Freedom of contract is abolished. The workmen, including clerks, may hire themselves if they have received a leaving certificate from their last employer and may get work elsewhere only if they have such a certificate. Soldier workmen are assigned to controlled establishments. Women workers and half skilled or unskilled workers may come in and receive intensive training, whether they be union or nonunion, by what is called dilution of labor, under control of dilution commissioners, who encourage agreements between employers and workmen and supervise conferences. Commissions determine whether leaving certificates are rightly or wrongly granted. Strikes and lock-outs are crimes. The importance of these acts is that controlled establishments extend to every work necessary to successful prosecution of the war.

Munitions of war include not only arms and ammunition, but ships, vehicles, and the metals, machines and tools to make them, constructional steel, fire brick, window and optical glass, factories, machinery, and even workmen's houses. In the controlled factory excess profits are divided.

The Government takes over the factory. It finds out what the standard profit in that factory was before the war. When that is agreed upon the owner is allowed one-fifth more during the war. All profits above that up to a certain percentage or a certain amount are divided generally in certain proportions which are agreed to, although there are some statutes on the subject, and all excess profits above a fixed amount go to the State. For instance, if a factory was declaring a 10 per cent dividend before the war, one-fifth more or 12 per cent would go to the owners of the factory. It might be agreed that excess profits up to 30 per cent more which would be divided, 15 per cent to the Government and 15 per cent to the owner of the factory, everything above the 42 per cent would go to the Government.

It is a curious arrangement, but practical, like most things that John Bull does, because it gives to the person in charge of the factory some interest in his business. We shall preserve the carriers' interest in the railroads only by the fact that they know that they are going to get their property back in a reasonable time, so that the men who work those railroads and who have made them the admiration of the world by carrying freight at rates and in quantities such as no other country has ever done, these men are going to stay with the carriers and run them for the Government, if any tact be shown, so that we will show better results in war than any other country in the world.

These munition acts as to factories are likewise interesting. We too may be forced to have the dilution of labor, as it is called abroad—bringing in the unskilled and training them, whether they be men, women, or children. We too may have to have women as the ticket sellers and ticket collectors and gate tenders.

We may have to get labor as they do there, where women are running the lathes in iron works and running the punches and planing machines and making great shells, and doing it with the skill of men, being aided, whenever possible, by chains and cables operated by steam power which take up the heavy material and put it where wanted. It is a triumph of mind over matter that weak woman can do such work in a way that does not try their strength. If we send our millions to war, we may have to do the same thing.

The gentleman from Ohio [Mr. Fess] asked me if I advised this policy. I advise being ready for it, because we may have to do it. Labor is scarce now. Unless we make labor plentiful, we can not win this war, because it is work that will win the war, and nothing else, work in the arts of peace as well as in the arts of war.

REPAIRS AND BETTERMENT ACCOUNTS.

The bill legalizes agreements based upon the standardized returns. There are some complications, as already indicated in my opening, attaching to these standardized returns. The carriers report their gross receipts and their current operating expenses and give what is called a "net operating income," but if they have seen fit not to keep their road or equipment in repair that operating income will be enlarged by the cost of omitted repairs which should have gone against it. If, as carriers often do, they have charged maintenance to the capital account—as I believe all renewals of stations and bridges and permanent works are charged to capital account, without any allowance for the value of those torn down—the diversion of these charges to capital must be very large and must be taken into account. In the case of the Pennsylvania Station in New York and the Grand Central Station in New York or the Union Station here those outlays must be very large.

Many things done by the carriers, such as raising tracks, do not add to their income but often, on the other hand, cut them off from freight yards and sidings which must be built elsewhere. All carriers' accounts are in more or less of a muddle. A scientific man, a writer on technical and scientific subjects, Mr. Amory, came before us and said that our railroads were bankrupt, because they did not charge to income things that belonged to income, and were therefore in debt to the banks. Another railroad expert, Mr. Kruttschnitt, admitted that it was a bad business to charge these renewals to capital instead of income, and that if they kept it up they would get into trouble eventually. Our bill has made provision that the Government can adjust those accounts.

It is fortunate that these accounts are probably not so large as the diminution of the standard return which has been made by reason of averaging three years, one of which was a very bad year. More than \$100,000,000 a year, I believe, was taken off the standard returns of the railroads by reason of taking three years instead of the last year, 1917. That \$100,000,000 a year will take care of a great deal of repairs and omitted maintenance.

It is also to be considered that if the United States does twice as much or three times as much business on those roads than was done before, it pays nothing beyond actual cost of that extra business and can afford, therefore, to take some risk on the repairs that it is to make and the standard return it is to give. On the whole, it may turn out to be better in most cases not to try to be too careful of smaller matters. We hope to be able to make a good bargain, because nobody wants to throw this great matter into the courts. If the railroads will agree to take the average return of the last three years, they will take perhaps less than they were entitled to take, but that will make up for some of the various other questions that they perhaps ought to have taken care of, but did not.

NEW EQUIPMENT.

Now, I believe that disposes of all things except how to account for the new rolling stock and improvements that shall be done by the Government. It is provided that the Government shall pay operating expenses, including such expenses as will keep the property in the same repair as it is now. If the United States pay more, that is a subject of account, to be charged against the carriers. If the Government erects new buildings and terminals, and so forth, there is a provision by which their cost can be charged against the railroads and taken care of by the issuance of stocks and bonds, on which the Government, of course, will pay the interest during the control. But these new improvements will finally belong to the railroads.

Mr. MADDEN. Mr. Chairman, will the gentleman yield there for a question?

Mr. PARKER of New Jersey. I will be through in a minute, and then I will yield.

If, on the other hand, the Government buys equipment, rolling stock, and locomotives, the original bill provided that the Government should own them all, and there would be a vast amount of equipment at the end of the war to be disposed of as Congress might direct. The committee has very wisely amended this bill so that while that might be done, the Government has the option to buy this equipment on the accounts of the railroad and make it the property of the railroad, paying for it by the issue of railroad securities, so that an adjustment would be going on from time to time until the property could be handed back.

Mr. MADDEN. Now, will the gentleman yield?

Mr. PARKER of New Jersey. Yes.

Mr. MADDEN. The stocks and bonds issued for the improvements described by the gentleman would be held by the Government on the collateral until the final settlement and the railroads were turned back?

Mr. PARKER of New Jersey. Yes; unless they were sold in order to get the money to return such property. If a road issues \$100,000,000 of stocks and bonds, the people will take them in the market, and the Government will be reimbursed for the money it spends.

Mr. MADDEN. I take it that at the end of the war the Government would not be able to finance the improvements any better than the railroads.

Mr. PARKER of New Jersey. As the Government would pay the interest on those bonds out of operating returns, the people would be more secure as to their interest.

CAUSE OF RAILROAD EMBARRASMENTS.

I may add that one of the reasons why the railroads have fallen down in late years, as I am informed, is because they have been financing lately just as they did some years ago, when their financiers would not issue long-term bonds at high rates of interest and borrowed at cheaper interest upon short-term notes. Since money has been in demand the banks have refused to renew those notes, and there is scarcely a railroad that is not embarrassed somewhat in that respect.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. BENJAMIN L. FAIRCHILD. Mr. Chairman, I ask unanimous consent that the gentleman from New Jersey may have 10 minutes more.

Mr. PARKER of New Jersey. One minute more will be enough.

Mr. ESCH. I yield to the gentleman one minute.

STATE TAXATION.

Mr. PARKER of New Jersey. There is no other topic left except that of taxes. Some people say we can not control taxes, because the State can lay taxes. I say that the States can not lay taxes on Government business, and my judgment is that the States ought not to be allowed to put on extra taxes when the Government is operating the roads. I think we ought to pay just the same taxes that we paid before the war, and none other.

Mr. Chairman, that is all I have to say. I will insert the tables to which I referred in my remarks:

Mr. BENJAMIN L. FAIRCHILD. Mr. Chairman, will the gentleman from Wisconsin yield to the gentleman for a minute so that I may ask him a question?

Mr. ESCH. Yes; I yield an additional minute to the gentleman.

Mr. BENJAMIN L. FAIRCHILD. The gentleman from New Jersey referred to the indebtedness that would be created in favor of the Government against the railroads by the purchase of locomotives and other rolling stock and the terminals. Does the gentleman from New Jersey think that the railroads should be turned back to the railroad companies until that indebtedness has been paid to the Government by the railroads?

Mr. PARKER of New Jersey. That proposition was not only that there should be such an indebtedness, but that it should be wiped out by the disposition in the markets of the stocks and bonds of the railroads, which can be done.

Mr. BENJAMIN L. FAIRCHILD. Of course, the stocks and bonds might be sold by the railroads or might not.

Mr. PARKER of New Jersey. If they are not sold, then they would owe the Government, and the railroads would not go back until that was arranged for. The bill says so.

Mr. SIMS. I yield 40 minutes to the gentleman from Nebraska [Mr. STEPHENS], a member of the committee.

Mr. STEPHENS of Nebraska. Mr. Chairman, the bill, H. R. 9685, now before the House, providing for suitable legislation for Federal control of the railroads of the country, contains, generally speaking, only three points that are in controversy.

The first is contained in section 1, which fixes the compensation that the carriers are to receive during the period the roads are under the control of the Federal Government.

The second is contained in section 11, which places the power to initiate a rate, when the war emergency makes it necessary, in the President.

The third is involved in section 14, which contains the provision for the return of the railroads within two years after the conclusion of the war. I shall address myself to the question of the limitation placed in section 14. I am in full accord with all of the provisions of this bill excepting section 14, and at the proper time I shall offer an amendment striking out the limitation placed in the bill, leaving it for a future Congress to

fix the date for the return of the roads to their corporate owners after suitable legislation has been enacted.

It is argued by the representatives of the administration and Commissioner Anderson, of the Interstate Commerce Commission, that great danger is involved in fixing the date for the return of these roads to their corporate owners, for the reason that the greatest confusion will likely prevail at the conclusion of the war, and that the people in all probability will not be in a mood to consider necessary legislation that must be enacted before these roads are turned back to their alleged owners. It will possibly be a year following the conclusion of peace before the soldiers are all returned home and discharged. During this period it is not probable that it will be possible to even consider the turning back of these roads. The people will be distracted by the difficulties confronting the country in readjusting business to peace conditions. There will be an immense demand for capital, and the difficulty of the railroads in financing themselves will no doubt be a very great one.

In fact, it is so self-evident that troubles of the first magnitude will prevail at that time in the domestic field that it seems hardly necessary to recount them. I quote here, in part, a statement made by Secretary McAdoo, Director General of the Railroads, on this subject before the House and Senate Committees on Interstate Commerce:

STATEMENT OF SECRETARY M'ADOO.

From the public standpoint it is necessary that Government possession and control of railroads shall be employed to remove for the time being competitive practices and wasteful duplication of effort to the end that every energy shall be mobilized upon the production of the greatest amount of transportation with the least expenditure of labor, material, and money. The result of this process of unification will be that when the war ends the railroads will be, to a large extent, disabled for the immediate resumption of their old competitive status. It will be clearly contrary to the public interests that the railroads thus hampered in their ability to compete shall be returned to private management before the adoption of proper methods of public control to take the place of the competition which will have been substantially extinguished.

The adoption of a proper measure of public control to deal with this new condition will require careful study and discussion. The period immediately succeeding the war will present numerous problems of the gravest sort, some of them very grave economic problems which will demand immediate consideration by the Congress.

In such circumstances it is not only probable but almost certain that Congress will not find the time immediately after the close of the war to adopt a comprehensive plan for controlling the railroads in the new environment in which they will find themselves and at the same time to deal with all the other complicated economic problems which will undoubtedly confront it.

If this bill requires the railroads to be turned back to their owners within say a year, as I have heard suggested, or other comparatively short period after the return of peace, the result will be that the railroads, with competition largely extinguished, will go back into private control without legislation to protect the public, or legislation designed to protect the public will have to be enacted hastily in the midst of other problems which will be demanding the entire time and attention of Congress. Neither result can be made in the public interest.

At the same time it should be borne in mind that shippers and the public generally will be accustomed to new methods of doing business with the railroads. They will find that the old methods under which they have been routing freight and have been doing business will be substantially and perhaps permanently altered, and the confusion which would arise from the attempt to suddenly restore the old competitive status, the status that existed prior to December 28, 1917, would be aggravated very greatly and perhaps would offer quite insuperable difficulties if legislation was not enacted in the light of conditions as they exist at that time, such as would facilitate that process of restoration and conserve the interests of the shippers and the public generally. I think myself that ample time will be required to deal with the new railroad status with which the country will be confronted after the return of peace.

I have used this three-year period arbitrarily and merely for purposes of illustration, and I have proceeded upon the theory that possibly \$500,000,000 per annum might have to be expended upon betterment, improvements, equipment, and extensions—necessary extensions for the purpose of the war. Of course, if the control lasted only one year or two years the amount of the Government investment in roads would be correspondingly less.

It is impossible to deal with that matter adequately under existing laws and impossible now to forecast how the matter ought to be dealt with. It will be a subject for thorough study and careful and just legislation to be adopted after the war.

To put a time limit upon Government possession may make it impracticable and certainly will make it exceedingly difficult to deal with this important subject in an adequate manner before possession is automatically restored to private management. To fix an arbitrary limit, it seems to me, is to put the public at a great disadvantage in dealing with this important phase of the problem—that is, the adjustment of the debt which the railroad companies will owe to the Government for the advance which must be made to them during the period of Government control. Such improvements in the hands of the Government without possession of the railroads will be of little value. The Government would therefore be in a difficult situation to protect the public interest with respect to those advances, because the minute the railroads are returned automatically to the control of the railroad companies, with no settlement effected of that large indebtedness, the Government would not be in position to protect adequately its rights nor to protect the public interest.

Mr. MADDEN. Will the gentleman yield for a question?

Mr. STEPHENS of Nebraska. I will.

Mr. MADDEN. Does the gentleman contend that the Congress of the United States under the conditions that he has just

described through Mr. McAdoo will be any less mindful of the interests of the people than they are to-day?

Mr. STEPHENS of Nebraska. Oh, certainly not.

Mr. MADDEN. Or that Congress will be less patriotic?

Mr. STEPHENS of Nebraska. No; certainly not; but there might be difficulties in the way of getting action in Congress. Mr. McAdoo continues:

It seems to me, therefore, that there is every disadvantage to the public interest in risking a limitation upon the time of Government control of the railroads and no possible advantage to the people in fixing that time limit now.

As long as the Government is in control of the properties and the important problems can be discussed dispassionately, and not under the pressure of a stop watch or time limit, it will be possible, I think, to liquidate the Government's interest upon a more equitable basis not only to the public but to the railroad owners themselves.

For my part I do not see why we should now undertake to determine an arbitrary limit, which might put the public as well as the private interests in jeopardy, but every consideration, it seems to me, justifies, as well as demands, that the question be left in such situation that it can be dealt with intelligently by the Congress in the light of conditions as they then exist.

Mr. BORLAND. Mr. Chairman, will the gentleman yield?

Mr. STEPHENS of Nebraska. I yield to the gentleman from Missouri.

Mr. BORLAND. Would not that be the case, anyway, that Congress, even though it now fixed the time for the return of the railroads, would have the right to repeal that law?

Mr. STEPHENS of Nebraska. Oh, certainly; that is undoubtedly true; but conditions might arise where Congress could not act, and I am now going to read to you a statement of Commissioner Anderson, of the Interstate Commerce Commission, pointing out the possible difficulties that may arise at that future date.

Mr. BORLAND. I was going to ask the gentleman whether it would not have the effect of stabilizing and strengthening the value of railroad securities, and thus ease the money market, if it were definitely established in this bill that the railroads would eventually be returned to the stock and bond holders?

Mr. STEPHENS of Nebraska. I do not think so. I think that absolutely the opposite is true. The very moment the Government took over these railroads the stocks and bonds of the roads rose in value on the market, showing conclusively that the people have greater confidence in the control by the Government over the roads than they have in the control of those who were in charge of the railroads prior to the Government taking them over.

COMMISSIONER ANDERSON'S STATEMENT.

I wish now to quote from the testimony of Commissioner Anderson, of the Interstate Commerce Commission, as to the possibility of failing to secure legislation before the day fixed for the return of roads, and the disaster that would surely follow:

We will assume the treaty of peace is concluded the middle of July, one week after you have adjourned, or something of that kind, or a month. But the reasons why we did not undertake to set the time limit were mainly two. In the first place, no Congress binds any succeeding Congress, and it is clear that the Congress must take the responsibility of dealing with the status; in the second place, it was thought that if there should happen to be a Congress divided in opinion, and an actual time limit put in, you would create a speculative situation with relation to a lot of railroad securities, and particularly with relation to the fate of some of the weaker companies, that would be in its actual results no less than wicked, as applied to some of the less fortunate holders of railroad securities.

If the existing status continues until Congress otherwise determines, then every person, every corporation whose interests are possibly to be affected adversely and unfairly by any proposed measure of resumption of private control, they must have their day before this committee or some committee that deals with that, and the matter is fully heard, if you have a stop order, and the Congress perhaps more or less affected by partisan considerations—nobody knows—perhaps a division between Congress and the President, a chaos is to take place on a day named, unless Congress acts and extends the time.

It might be an evenly divided Congress, either on partisan lines or on policy lines or discord between Congress and the President. It puts a premium on discord for speculative interests that would like to see the railroad-security market thrown into speculative chaos; that is what it does. Let me illustrate that: Suppose that you had a provision that it should last a year after the war, after the treaty of peace? Suppose the treaty of peace were signed on July 1 next, and then you have got another year. You come back here next December and you begin on this thing, and Congress is closely divided on party lines and on questions of economic policy; and you begin, and you go through December, January—you do not generally do much until January. You have really got six months in which to find and determine the policy on which these carriers shall be taken out of the Federal control and put back into the hands of their groups of security holders; and if you do not agree there is chaos on July 1, 1919, is there not? The agreement is the condition precedent to order. That is your situation. Now, order prevails under Federal control until Congress substitutes some other order.

A CHOICE BETWEEN FEDERAL CONTROL AND GOVERNMENT OWNERSHIP.

Those who favor a time limit for the return of the roads offer three reasons:

First. That a date should be set as indicating that the Government did not intend to keep control indefinitely and thereby cause confusion and uncertainty in the minds of the investors.

Second. Admitting that new legislation will be necessary, they insist two years will be sufficient time for Congress to act.

Third. They desire the time limit because it will be an indication that this Congress is opposed to Government ownership.

The truth of the matter is, the third reason is the main one in the minds of most of the objectors. The first two reasons are no reasons at all and not a fact supports them, while, on the contrary, all the evidence presented to our committee proved the contrary true. The investors are calm and happy now that the Federal Government is protecting their property from the speculators, and the evidence pointing to possible delay in procuring legislation is complete and uncontroverted.

The third reason offered in favor of a time limit, the fear of Government ownership, is born of a superficial view of the subject, which confuses Federal control with Government ownership. Federal control is not Government ownership at all. On the contrary, it is the very method that can save us from Government ownership. Private control and ownership has already proven a failure. Some way must be found to cure the defects of the system, or Government ownership inevitably follows. If, after a trial of Federal control, the roads break down utterly under existing conditions, then the Government, to save its own life, must own its own means of life—the railroads—as well as control them. Now, the Government as a war necessity has taken control and has coordinated all the roads under one head and for one purpose, namely, service. It is a concentration of control that was so dearly sought by the great railroad magnates of the past, but the people would not trust such power in private hands. The thing sought for by these railroad magnates for 50 years past was gained by a stroke of the pen by the President for the people. If the policy of consolidating the roads under a central head was economically correct when it was proposed to place the control in the hands of a coterie of Wall Street speculators, why will it not still be a wise and economic policy when the control is placed in the impartial hands of a Federal director, where the rights of the people and of the roads will both be jealously guarded?

If the gentlemen who are haunted by the ghost of Government ownership prevent an honest demonstration of Federal control, to see whether or not the troubles of private ownership can be cured and the railroads made to do the work of the country, then they will have to face a country-wide demand for not only Federal control but Federal ownership as well, with nearly 2,000,000 employees added to the civil-service rolls of the country, with all the possible dangers of such a gigantic civil roll influencing legislation.

Mr. FESS. Will the gentleman yield for a question?

Mr. STEPHENS of Nebraska. I do.

Mr. FESS. I would like to have the gentleman's opinion, without embarrassing him. Believing myself that this step will almost certainly lead to Government ownership, I would like to ask him whether the fixing of the time limit will prevent it?

Mr. STEPHENS of Nebraska. My idea is that the moment you fix the time limit you make it absolutely necessary for the Congress of the United States to act before that time limit expires, and if the people are not then ready to act, if the Congress is not ready to act, if we are all undecided as to what the policy should be, then these roads automatically go back; and if they go back under such a chaotic condition as will exist at that time you can rest assured that private ownership will be spurned by the people and Congress will be compelled to take over these railroads as Government property and operate them. Now, if no time limit is fixed, then everything will go on; and we will demonstrate beyond a question of doubt whether or not Federal control is a success. If it is not a success, none of us want it. If it is a success, we all want it. That is my view of it.

Mr. FESS. If the gentleman will permit, I have always feared Government ownership and am very much opposed to it.

Mr. STEPHENS of Nebraska. I agree with the gentleman.

Mr. FESS. But I think I can see it definitely coming. That is my opinion under the conditions that are in operation.

Mr. STEPHENS of Nebraska. There is certainly danger of it. Referring again to this large civil pay roll, my fear would be that such a force in a position to profit through the pay-roll route by legislation which they could tremendously influence, the very life of the Government might be endangered. I can readily see that we might cease to be a Government by the people and for the people, and become instead a Government by the employees for the employees. Yet if compelled to choose between being exploited by a gang of railroad speculators and being more or less pulled about by a vast body of Government employees, I would choose the latter.

The gentlemen who insist upon writing a limitation of Federal control in section 14 of this bill merely hasten the day for Government ownership in the fullest sense of the word with all the possible evils thereof, because, whether they know it or not, private control has broken down and the country knows it. A few years more of such control and no one will be left, except widows and orphans and the helpless generally, who can be induced to invest in railroad stocks and bonds. Something must be done now before the roads ever leave the control of the Federal Government to safeguard the investments in railroad stocks and bonds and stabilize values so the public will have unquestioned confidence in them. If this is not done, extensions and betterments are impossible. An adequate service can never be secured with the Wall Street wrecking crew in charge of so many of the roads.

By amending section 14 by striking out the two-year limit Federal control will be continued until such time as protective legislation can be enacted. Personally I am convinced beyond a doubt that the solution of our whole trouble and escape from Government ownership and the evils that might follow lies in Federal control along the lines we have now adopted as a war measure only. If it proves a success, no one would want to go back to the private control; and if it is a failure, we will have eliminated Federal control from further consideration. That question then will have been as completely eliminated as is private control in the minds of the people at this moment.

Therefore if the present method of Federal control under the Director General proves a failure, we would be face to face with Government ownership. To insert in this bill a day for the return of the roads to their corporate owners, to the old system of private control that has failed in the past, is to issue a clarion call to the country to stop the outrage before it can be perpetrated, and the country will undoubtedly stop it by forcing us into Government ownership. Is it not, then, absurd to write a limit in this bill making it impossible to give Federal control a thorough test before we are compelled to prematurely turn them back into the field of speculation and ruin or take them over as Government property and own as well as operate them?

GHOST OF GOVERNMENT OWNERSHIP KILLED SHIP BILL.

The fear of Government ownership talked the shipping bill to death in March, 1915, or the threat of it brought the same result. As a result our shipbuilding program was set back two whole years. The eminent legislators who permitted themselves to be frightened by the ghost of Government ownership I charge with the responsibility of having failed to provide the country with ships that are to-day so sadly needed to carry our troops and supplies to Europe. If our shipping program had been begun two years sooner, as that bill provided, we would now be able to place one and one-half million soldiers in Europe and feed them with ease. The ghost of Government ownership stalking timid legislators did the work. These same gentlemen, too, are now loudest in their criticism of the War Department because it is unable to equip and place an army in Europe without an adequate amount of shipping. There was also a substantial backer to the Government ownership ghost that stayed in the background. It dangled the ghost out where everybody could see. The backer of the ghost was the Shipping Trust. They had a gold mine operating ships at a freight rate 1,000 per cent above the rates of peace times. They could see absolutely no sense in the Government building ships to compete with them, so they shouted Government ownership, and their reactionary friends responded everywhere and the Government ship bill was killed and not a move made for two years after the bill was introduced in September, 1914, to save the country from extortionate freight rates. These gentlemen may escape the responsibility of their exceedingly great mistake, but they nevertheless have it on their souls just the same. The country is without necessary ships now, and they should not escape the blame. This House did its full duty in backing up the administration's program for shipping tonnage and every other measure necessary to win this war.

The fear of Government ownership put a limitation of one year in the war-risk insurance law, which makes it necessary for us to renew this measure every year. If something should happen, if Congress should not be in session or a deadlock of some kind should occur, making it impossible to renew this measure, then the ships of commerce would not be able to leave our harbors for want of insurance. Yet we had to put it in to satisfy these gentlemen who were constantly shivering around for fear Government ownership will be fixed upon the country. They can not conceive of the people having sense enough after they have tried a thing to conclude whether or not it has been a

success or a failure. If it proves to be a success, of course they will want to continue it; if it is a failure, certainly they will want to discontinue it. Therefore there can be no object whatever in hampering legislation with provisions of this sort, lest it will in a measure contribute for or against Government ownership.

FEDERAL CONTROL SHOULD EXTEND OVER PERIOD OF PEACE.

There is another phase of the subject also that should be considered, and that is the very great desirability of having Federal control extend over a period of peace, so that a demonstration can be had of its feasibility as a permanent policy. If Federal control is concluded immediately after the war, there will be no opportunity to test the value of this method of handling the railroad situation. The truth is, some 5 or 10 years should be allowed for this period of demonstration for the purpose of satisfying the country beyond a question of doubt that Federal control is or is not practicable. The country is certain that the management of the railroads under private control has been a failure, and they are seeking and demanding some satisfactory solution of this problem.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. STEPHENS of Nebraska. I yield to the gentleman.

Mr. MOORE of Pennsylvania. I take it from the gentleman's remarks that he is in favor of Government ownership of railroads and would have established it years ago.

Mr. STEPHENS of Nebraska. The gentleman has no right to make any such assumption, because I have stated three or four times in the course of my remarks that I am opposed to Government ownership, excepting as a very last resort.

Mr. MOORE of Pennsylvania. Then I did misunderstand the gentleman.

Mr. STEPHENS of Nebraska. Yes.

Mr. MOORE of Pennsylvania. But since the gentleman refers to what might have been done, I might ask him whether he agrees with that other distinguished Nebraskan who was in favor of Government ownership of the railroads years ago, but who did not get very far with his program?

Mr. STEPHENS of Nebraska. Do you want to know whether I am in favor of him?

Mr. MOORE of Pennsylvania. Whether you stand with him; yes?

Mr. STEPHENS of Nebraska. I certainly would not stand with him if he is for Government ownership and I am against it, but I do not think the gentleman from Nebraska, whom you refer to, favors Government ownership. He never did favor Government ownership. He has always stood on the subject about as I have just outlined it.

Mr. MOORE of Pennsylvania. I do not want the gentleman to misunderstand me, but I have a distinct recollection that the Nebraska Commoner initiated a policy of Government ownership of railroads.

Mr. STEPHENS of Nebraska. That is a mistake. I heard Mr. Bryan make his so-called Government-ownership speech in Madison Square Garden, and it was not a Government-ownership speech at all, but he made the statement in effect that I have just made.

Mr. MOORE of Pennsylvania. But does not the gentleman think the other distinguished Nebraskan would really be vindicated by the passage of this bill?

Mr. STEPHENS of Nebraska. Which other distinguished Nebraskan?

Mr. MOORE of Pennsylvania. William Jennings Bryan, the great Commoner.

Mr. STEPHENS of Nebraska. William Jennings Bryan, the great Commoner, is in substantial accord with this proposition, I think.

Mr. MOORE of Pennsylvania. Did not Mr. Bryan in 1908, in Madison Square Garden, announce a platform substantially as set forth in this bill?

Mr. STEPHENS of Nebraska. I think the gentleman is correct. I think the substance of my remarks are in accord with his statements on that occasion.

Mr. MOORE of Pennsylvania. I wanted to see if we were not vindicating Mr. Bryan by the passage of this bill.

Mr. STEPHENS of Nebraska. Oh, he has been vindicated a thousand times. [Laughter.]

If a day is fixed for the return of these roads to their owners, on that day the roads must go back no matter what the conditions are that may exist at that time. While, on the other hand, if the day is not set, there will be an opportunity for consideration of the question from every angle in the light of the experience gained by Federal control of these roads in time of peace.

During the last 10 years scores of railroads have been wrecked through mismanagement and speculation. The operation of

these particular roads has been solely in the interest of those who wished to make money out of them, and with only an incidental regard to the rendition of service to the people. The result has been the ruin of hundreds of thousands of stockholders, the wrecking of many railroads, and a general weakening of the confidence of the people in the system of private control. The people have tried regulation, both National and State, with very unsatisfactory results. We started out to stop the collection of excessive rates, but made no provision at the other end for stopping the leaks. It would appear that we felt secure in the idea that if we could prevent the railroads from taking unjust toll from the shipper we had solved our problem. We discovered, however, that the prevention of the roads from collecting excessive rates had no connection or relation whatever to their ability to speculate in the properties themselves and manipulate them in such a manner as to throw them into bankruptcy and through this operation eliminate the shareholders and greatly destroy the general usefulness of the roads and their ability to secure new capital for their development and extension.

THE WRECKING OF THE ROCK ISLAND.

As a result of this practice we have witnessed the wrecking of the Chicago, Rock Island & Pacific Railroad, the New Haven, the Boston & Maine, the Frisco, and many others during the last 10 or 15 years. In fact, at the present moment there are some thirty or forty thousand miles of railroads in the United States in the hands of receivers. Some of these roads we know have been thrown into the hands of a receiver when they were in a perfectly solvent condition by the manipulation of these plunderbundlers who specialize in the wrecking of railroads. The Rock Island is probably the most glaring example of this particular industry. The story of the wrecking of the Rock Island Railroad is equal to that of any "Diamond Dick" novel that has ever been printed, and the men who were responsible for the mismanagement and bankruptcy of this property should have been put in the penitentiary long ago. The truth is that as highwaymen they make the performances of Jesse James look trivial and inconsequential. This gang of Wall Street plunderbundlers did nothing that required courage. They merely hired a few lawyers to organize two holding companies at an expense to the property of about \$300,000 for organization purposes and proceeded to manipulate this great and profitable railroad system in such a manner as to force it into bankruptcy and ruin.

Mr. DILLON. Will the gentleman yield?

Mr. STEPHENS of Nebraska. Yes.

Mr. DILLON. Does the gentleman know any of these high financiers who have been put in jail where they belong?

Mr. STEPHENS of Nebraska. I do not remember right now whether any of them have been put in jail or not, but you have my opinion in regard to it.

When they took hold of this road in 1901 its stock was selling in the markets of the world at above \$200 a share. It had something like \$10,000,000 of surplus and was paying a good dividend to its stockholders. It had a net income of over \$5,000,000 a year. In 1914, the year in which the Interstate Commerce Commission made a report upon its condition, its stock had shrunk to about \$20 a share, representing a loss to the men who had put their money into the building up of this great property of tens of millions of dollars.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. SIMS. I yield the gentleman 20 minutes more.

Mr. STEPHENS of Nebraska. The men belonging to this particular Wall Street wrecking crew were J. H. Moore, W. H. Moore, D. G. Reid, W. B. Leeds, and others of less importance. After more than a decade of misrule and theft the road was finally forced into the hands of a receiver. Even after that the deception continued. The court was urged by the Peabody Protective Committee to default in payment of interest on certain securities and in the refusal of the court to comply, the court left the inference that the only motive the Peabody committee had was to get an excuse to foreclose on the securities of a perfectly solvent property and take them at much less than their value.

Mr. LONDON. Will the gentleman yield?

Mr. STEPHENS of Nebraska. I will.

Mr. LONDON. What year did all these things occur?

Mr. STEPHENS of Nebraska. This reign of culpability began in 1901 and ended in 1914 or 1915.

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. STEPHENS of Nebraska. Yes.

Mr. COOPER of Ohio. What railroad is the gentleman talking about, the Rock Island?

Mr. STEPHENS of Nebraska. Yes; the Rock Island and its holding companies. Sometimes the report refers to the Iowa

company and sometimes to the New Jersey company, but they are merely holding companies for the Rock Island.

Mr. COOPER of Ohio. The gentleman would not put all of the railroads of the country on the same basis?

Mr. STEPHENS of Nebraska. Oh, no; I am differentiating between the honest men and the crooks in the railroad world.

Later on the road did default in interest payment on certain bonds of the road that were secured by over \$71,000,000 of the stock, the stock that sold for \$200 a share the year the wreckers got possession of the road. This block of \$71,000,000 face value was sold under order of the court for a little over \$7,000,000. The outrage was complete. This Mr. Peabody is president of the Mutual Life Insurance Co. The same Mr. Peabody was in at the killing also when the New Haven went under. Here is what a witness before the Interstate Commerce Committee of the House, a Mr. Amster, who is a director in the Rock Island Co., and who has suffered from the rape of the Rock Island, has to say about Mr. Peabody and his banker friends:

The New Haven stock was considered a gilt-edge investment and sold at over \$200 per share. It is now selling under \$30. The company's books show that 26,000 defenseless men, women, and insurance companies own the stock of the company, and that very little, if any, is held in the name of the banker directors who managed the property during its prosperous period. One insurance company, the Mutual Life, whose president, Charles A. Peabody, is a warm friend of the great banking firm that handled the New Haven finances, owns 35,000 shares, at an average cost of \$155 per share, but this poor investment, and doubtless other railroad investments of this insurance company, belong to the policyholders and not to the president or trustees of the company.

Thus we see how the wrecking of railroads affects thousands of innocent people who are helpless to prevent it aside from those who have purchased railroad stocks directly as an investment.

But to come back to the Rock Island, let us see how they robbed the road through salary accounts, gifts, and contributions to campaign funds. Notice this salary list and a few other grafts as reported by the Interstate Commerce Commission during the reign of the plunderbunders:

SALARIES AND CONTRIBUTIONS TO OFFICERS AND DIRECTORS.

The salaries paid to some of the principal officers at various points were as follows:

H. U. Mudge, president, \$60,000.
L. F. Loree, chairman executive committee (one-half to be paid by the Frisco), \$75,000.
R. A. Jackson, vice president and general solicitor, \$50,000.
R. R. Cable, member board of directors, \$32,000.
W. B. Leeds, president, \$32,000.
B. L. Winchel, president, \$40,000.
B. F. Yoakum, chairman executive committee, \$30,000.
Daniel C. Reid, chairman board of directors, \$32,000.
C. H. Warren, first vice president, \$35,000.
W. G. Purdy, upon his retirement from the presidency, was given two years' salary at \$22,500 per annum.

SOME OF THE CONTRIBUTIONS.

Following are specific instances shown of record of contributions referred to:

J. E. Gorman, first vice president in charge of freight and passenger traffic, was secretly paid \$18,750, making his total compensation \$43,750, whereas the pay roll showed \$25,000.

C. A. Morse, chief engineer, received a salary of \$15,000 per year and a secret bonus of \$3,000 on the first of each year.

Upon the retirement of R. A. Jackson as general solicitor he was given \$100,000 in cash.

As an inducement to L. F. Loree, chairman of the executive committee, to relinquish, after 10 months' service, a joint contract with the railway company and the Frisco, under which he was to receive a salary of \$75,000 per annum for a period of five years, and in addition was to be paid a bonus of \$500,000 at the expiration of the contract, he was given bonds of the railway company of a par value of \$450,000. This was borne equally by the two companies, and the proportion of the railroad company was charged to profit and loss. The total amount borne by the railway company in this transaction exceeded \$250,000.

C. H. Warren, vice president, was given by the railway company \$150,000 in par value of the common and \$105,000 in par value of the preferred stock of the New Jersey company and \$50,000 in cash. There was no board of authorization for the latter expenditure, the item being represented in the records of the railway company merely by a voucher signed by D. G. Reid.

R. R. Cable, a member of the executive committee, received from the railway company \$30,000 in bonds of the Iowa Co., then worth \$24,500, for his services in the acquisition of the Burlington, Cedar Rapids & Northern Railway Co., and he was paid by the latter company \$85,000 in the same transaction. Mr. Cable also received another contribution which will be referred to later.

Robert Mather, vice president, was given \$25,000 in cash.

George T. Boggs, director and secretary of the directors of the railway company, was given \$15,000 in cash when he retired from the secretaryship of the railway company.

As hereinbefore indicated, when the capital stock of the railway company was increased to \$75,000,000, shares of the par value of \$880,500 were placed in the name of the president, to be thereafter distributed in accordance with the following resolution of the executive committee passed at a meeting held in New York July 1, 1902:

Resolved, That such portion as the president may determine of the shares of the increased capital stock of the company not required for the purpose of the foregoing resolutions shall be disposed of at par by the president for the benefit of such officers of the company as the president shall elect and determine.

This stock was later exchanged for securities of the Iowa and New Jersey companies in the same manner as was stock of the stockholders of the railway company.

Following this exchange R. R. Cable received securities of a market value of \$368,300, for which he paid \$200,000.

H. A. Parker, first vice-president, received securities then worth \$27,000, for which he paid but \$15,000.

Robert Mather received securities of a market value of \$145,912 above his payments therefor.

The contributions to officials of the railway company in excess of their salaries aggregated about a million dollars.

Mr. RUSSELL. Were not a lot of fellows indicted for that? Mr. STEPHENS of Nebraska. I do not know.

Mr. LOBECK. Did the Government assist this road by giving it land?

Mr. STEPHENS of Nebraska. Yes.

Mr. LOBECK. Is it the gentleman's belief that if we had Federal control any such things as this would happen?

Mr. STEPHENS of Nebraska. Absolutely no; no such things could happen.

IRREGULAR VOUCHER PAYMENTS.

The books of the railway company reveal payments aggregating \$44,066.05 to the Denver Post. The vouchers attached read, "For advertising in editorial news columns." Other entries show that three of these vouchers, aggregating \$20,000, cover a refund that this newspaper received at the rate of 35 cents per hundred on its freight carried over the lines of the railway company from points in Wisconsin.

Another voucher is for \$50,000 to S. M. Felton, for the railway's proportion of amount "paid by E. H. Harriman and his associates for money expended by them to secure the discontinuance of a line of road being constructed in 1900 between Peoria, Ill., and Clinton, Iowa, as per agreement between R. R. Cable, chairman of the board, and E. H. Harriman."

Now, after having merely slanted at the mismanagement of the Rock Island in the hands of bank speculators on a big scale, and knowing that there are scores of other roads almost if not quite as badly managed, can anyone say the public interest will suffer if no date is set for the return of these roads to their alleged owners? For my part I am satisfied beyond a doubt that they never should be turned back to private control under any conditions that I can now foresee are possible to exist. The truth is the people have lost confidence in the management of the railroads by Wall Street bankers who have secured control of them. They have witnessed the operation of receiverships, the elimination of small stockholders, the reissuance of new stocks and bonds under reorganization, again bankruptcy and elimination of stockholders, until the investors of the country who are not engaged in this business of manipulating railroads have refused largely to buy railroad stocks and bonds. The only practical outlet that bankers now have for the sale of their railroad stocks and bonds is to foist them off on trust companies, insurance companies, and widows and orphans who must follow the recommendations of their bankers. The net result is that instead of having railroads constructed where railroads are needed, tracks doubled, equipment multiplied, we have only the barest necessities supplied in the great majority of cases, so that when a stress is put upon the transportation facilities of the country, such as was brought about by this war, the railroads have been utterly unable to do the work placed upon them. It seems to me that the proof is complete.

COMPLAIN OF LOW RATES.

These railroad manipulators complain that their trouble is all caused by the refusal of the people to let them collect larger rates, when, as a matter of fact, the railroads have suffered not so much from low rates as they have from mismanagement and the destruction of the confidence of the people in those in control of the roads. To give them higher rates in some cases like the Pennsylvania, for example, merely means greater profits and surplus, which is in turn capitalized and a new cry goes up for higher rates to make more surplus to be capitalized, leaving

the road as hungry as ever. The people get weary of paying excess rates for the purpose of furnishing stock dividends to stockholders as in such cases. In other cases a prosperous road with a reputation for dependable earnings becomes a ready prey for the "wrecking crew." Its newly watered stock would be as easily sold, as was the case with the Rock Island & New Haven. If the investors had not witnessed the operations of these plunderbunners in wrecking roads and eliminating stockholders, there would be much less trouble to get investments in railroad stocks, but so long as so many roads are in the control of men who make a business of speculating in them, just so long will there be a distrust in that sort of an investment. The marvel is that anyone who knows anything at all would put a dollar in railroad stocks, generally speaking.

Now, if private control of railroads has proven a failure—as no one can dispute, if you measure it by the test of the roads being able to do the work the country requires of them—then why is it that some of us are so insistent upon fixing a date when these roads are to be turned back to their alleged corporate owners? Why hurry back with such haste to men who have been unable to accomplish the task that has been given them? I do not charge in a wholesale way that all railroads have been mismanaged. That is not so. Many railroads have been very effectually managed. Perhaps the majority of them have been satisfactorily managed in normal times, but the large minority that have been mismanaged are almost as essential to the success of the whole as is the majority. For example, the thirty or forty thousand miles of railroad that are now in the hands of receivers cover a vast territory that is dependent wholly upon them, and are so vital to the welfare of the Nation as a whole that their failure can be considered of the utmost importance in the consideration of this subject.

TWO CLASSES OPPOSE FEDERAL CONTROL.

If we can demonstrate by the present system of Federal control that we can eliminate all of the troubles from which we have heretofore suffered through the issuance of watered stock and speculation in the properties, we will have turned the country away from Government ownership, because there is no one who would not prefer private ownership if private ownership were successful and the interests of the people, as well as the roads, were protected. The reason that there is a clamor for Government ownership is not because there are any considerable number of people in this country who really favor Government ownership as a matter of principle, but rather they think of it as a necessity. But if we can demonstrate under Federal control that the difficulties we are now suffering from can be removed, and that these roads can be operated in private hands under Federal control successfully, then the possibility of Government ownership will have passed from us forever. But it is the fear of Government ownership that lies at the root of the insistence of many Members of Congress upon the limitation being placed in this section.

The other class, which is a very minor one, consists exclusively of a coterie of Wall Street bankers who are engaged in railroad speculation and the operators and executives of the roads that excessively profit through their operation. This class, of course, want the roads turned back to them as quickly as possible—to-morrow if it could be accomplished. This class, in my judgment, will attempt to make the Federal control of railroads a failure. They will attempt to demonstrate to the country that the Federal Government can not control these railroads successfully, in order that we may hasten to turn them back to them, so that they can again start on their round of manipulation, speculation, and wrecking of railroads, and piling up as a result countless millions of profit.

WHY FEAR FEDERAL CONTROL?

I have pointed out the two classes that are interested in having a day set for the return of these railroads to their corporate owners. Is this insistence possibly due to fear that their properties are to be neglected during Government control? Not at all. We provide in this bill that they shall be liberally maintained. Not only that, but that extensions shall be made where necessary, terminals shall be constructed, rolling stock shall be added—in fact, betterments of every kind and character are to be made where necessary. So it can not be for these reasons that they insist upon a limitation being fixed.

Are they afraid that their properties will be bankrupted during Government operation? Not at all, because the Federal Government agrees to finance them at the lowest possible rate of interest—even to buy their bonds when necessary. There can be no risk whatever run by the owners of these properties in leaving them in the control of the Government until Congress shall otherwise direct.

Is it because they fear that they will not be able to pay dividends to the stockholders? No; because the Government guar-

antees a standard return equal to their average earnings for the past three years, two of which were the best in the history of the roads.

Is it because stockholders are worried about the results of Federal control and are urging the executives of the roads to demand that a day be set for their return? Certainly not. The stockholders are not in the least doubtful about the success of the Federal control. In fact, when the President's proclamation directing the Secretary of War to take over the roads was issued railroad stocks immediately went up, showing that the stockholders had greater confidence in the Government than they had in the railroad managers. The stockholders of the railroads know the history of private control as well as anyone, because they have suffered from it very greatly. Hundreds of thousands of them have had their savings of a lifetime swept away by the mismanagement, speculation, and bankruptcy of railroads by these highbinders of Wall Street. It is difficult indeed to conceive of any reason why a stockholder of the railroads would prefer private control to Government control.

Is the public clamoring for a day to be set for the return of these roads to their corporate owners? No, the public certainly has no objection to Federal control, but, on the other hand, welcomes it, because it has removed all the barriers to an economic operation of the roads. Cooperation of the roads has been brought about. Freight is being moved through the shortest routes and over the least congested lines; useless competition has been eliminated; scores of ports little used are to be opened; and gradually it is hoped the congestion of the roads is being cleared away. The public can not fail to be greatly benefited by this application of economic principles.

By the process of elimination I have apparently left only the two classes first named—those who fear Government ownership and those who profit in the manipulation and speculation in railroad properties.

BANKS CONTROL WITH 1 PER CENT OWNERSHIP OF STOCK.

To me it is inconceivable that any considerable number of people should be misled in the discussion of this subject, the facts are so clear and conclusive. Here we have \$18,000,000,000 worth of railroad property that was, previous to Government control, in the control of a coterie of Wall Street bankers. This bank control exists through the ownership of possibly 1 per cent of the stock of these roads. Think of it; \$18,000,000,000 worth of property controlled by a coterie of Wall Street speculators and bankers and operated largely for their own interest and profit through and by the actual ownership of only 1 per cent of the property.

We have gentlemen who advocate the fixing of a day for the return of these roads, referring with a good deal of feeling to the moral side of the question. They call our attention to the fact that as a war measure we are ruthlessly taking away from the lawful owners these railroad properties, and we should therefore hasten, the moment the war is over, to return them again to their lawful owners. This sentiment is entirely wasted on me, and it should be a complete waste on anyone who has a knowledge of the facts. Millions of stockholders, scattered all over the world, own these railroad companies. A few manipulators manage to get themselves elected members of boards of directors of the various roads—especially the profitable ones. They become possessed of the transfer books, which contain the list of stockholders. They secure proxies of these stockholders and vote them at their annual meetings. The stockholders are scattered everywhere. They know absolutely nothing about the control and management of their properties. They have no means of finding out anything about them. The only thing they can do is to send their proxies to the officers who are in control, and these officers consist of those who have managed, by hook or crook, to secure the control of the properties by a very small ownership of stock.

In view of this well-known condition, it is certainly not a convincing argument to urge that from any moral standpoint we are bound to set a day for the return of these roads to these alleged corporate owners, without regard whatever to legislation that will be sadly needed to protect the real stockholders before the transfer is made.

OPPOSED TO GOVERNMENT OWNERSHIP EXCEPT AS LAST RESORT.

Personally I am very much opposed to Government ownership if there is any other way in which the best results can be obtained. My own view is that the present system is approaching the method that will ultimately be found to be a success in the control and operation of the roads. At any rate, there should be no haste whatever in turning these roads back until the widest possible discussion has been had upon the result of it. And it must be sufficiently extended after the war has been

concluded, in order to know whether or not it can be successfully carried on in time of peace.

THREE METHODS.

There are three possible methods open to us for handling the railroads. The first method has been in operation for a great many years, namely, private ownership and control under State and Federal regulation. Many men thought our problems were solved when we adopted Federal and State regulation of railroads. It is apparent now, however, that the mere regulation of rates and competition only removes a few of our troubles. It in no way removed the great evil of watered stocks and the manipulations of speculators. It left the roads without coordination and with competition that does not contribute to an economic operation of the lines.

The second method of handling the roads is the one now put in operation as a war necessity, namely, Federal control, with private ownership. The results are yet to be demonstrated.

The third method of operation that is advocated by some people as a solution of our difficulties is Government ownership.

The first method of private control with the Government regulation has been in operation sufficiently long to prove beyond a question of doubt that it never can be successfully used. Under this system we have witnessed the wrecking of scores of railroads since the Interstate Commerce Commission was established. We have witnessed the flotation of stocks over and above the actual values of the roads to the amount of billions of dollars. Most of this stock in the last 50 years has been wiped out of existence by foreclosures through bankruptcy, and, of course, became a complete loss to investors. Competition has been idiotic and uneconomic. The people for a long time believed that railroads must compete. I can recall in the good old days for the speculators, when a railroad ticket could be bought from Omaha to San Francisco for \$5, when rebates were common, when legislatures were corrupted. All of these things have been in a measure cured by regulation, but they have left still the canker that destroys the roads and utterly destroys our ability to get new roads, in that it has left the speculator with the ability to destroy the original property, but without any inducement for constructing new properties. In the old days without regulation it was an easy matter for the speculator to construct new lines, water the stock, collect rates that he saw fit, and make enough money out of the construction of the road to make it a great inducement for men with means to build new roads and develop new sections of country. Federal regulation has now made it impossible for this sort of railroad builder to operate and make any money out of it, with the result that no new lines to speak of are now being built under regulation. There is no prospect of any new railroad development under Federal and State regulation. Men who have money are not going out into the field to construct new railroads unless they have an opportunity to make a speculative profit out of the deal. That opportunity no longer exists under regulation. The only opportunity that is left the speculator now is to manipulate the roads in such a manner as to force them into bankruptcy, close out the stockholders, and take the roads at their own price.

Under the second method, the one now in vogue, Federal control seems to me to be the solution of all these difficulties. For example, under Federal control a Federal railroad board can be organized with power to control all of the railroads of the country, pool their profits, pool their service, issue the stocks and bonds of the Federal railroad company in exchange for the stocks and bonds of the existing roads, and thus secure for the people a complete coordinated system where there would be no advantage whatever to one road securing more traffic than another, with the result of congesting the traffic and piling up the profits on one road to the disadvantage of another, because they would all share alike in the profits of the roads in general, or, rather, share in proportion to the value of their stocks.

Under this system we would not find the traffic congested on a few great arteries of trade and centered in a few great terminals, like New York, Philadelphia, Baltimore, Chicago, St. Louis, and San Francisco, but every port in the country would be developed, steamship lines established at those ports to take care of the traffic, and the traffic would flow over the shortest and most economic routes. There would be no more trouble about the issuance of stocks and bonds. These would all rest in the hands of the Federal Government through the Federal board. All of the speculation in these securities would be gone, and they would have values as fixed as Government bonds.

This would certainly be to the interest of the public, because the stabilization of the values of these securities would induce the public to invest in them to the largest possible extent; whereas, now, under private control, as I stated before, practically only the widows and orphans and insurance companies

invest in these stocks, because they were advised to do so by their bankers. In fact, the insurance company's funds have been used by these railroad manipulators very largely to finance their operations.

The third method, that of Government ownership and operation, has not been tested in practice in this country, and, of course, one man's opinion is as good as another, as to the results possible under that system. However, the question is not now an issue, but is certain to become one the very moment the question of returning these roads to private control under former conditions is brought before Congress.

RAILROADS HAVE TWO BOSSES.

Another reason for the failure of the roads to do the work of the country lies in the fact that they have two bosses who to a large degree have interests directly opposed to each other. On the one hand, we have the operators of the roads representing the stockholders trying to get as high a rate for service as it is possible to get. Whereas, on the other hand, are the representatives of the people, through their Federal and State railroad commissions, trying to keep the rates as low as possible. There is a constant struggle going on between these two forces all the time with varying results.

It seems to me that the principle involved in this method of regulation was doomed to failure in advance. Private business partnerships are notoriously hard to sustain when the interests of both partners are identical, but to think of a business partnership succeeding where one of the partners is interested in having the business make a good profit while the other is not interested in the concern making any profit, is absurd. That being true of a private business partnership, it is equally true of the partnership control and operation of the roads by joint action of the Government and the owners.

For the Government to attempt to regulate the income of roads by fixing rates and at the same time pay no heed to the expenses of the roads as made by the operators is quite absurd, yet that is the way we have been doing it. Certainly the power to fix the income must also be the power to fix the outgo, yet for a quarter of a century we have apparently ignored this basic principle at the root of business success. This power to fix the outgo must also be the power to regulate the bills payable; that is, the issuance of stocks and bonds. Yet under private control with Government regulation all sorts of crooked stock and bond issues have been floated. In fact, there has been no regulation of any real value in the use of this very important power. Irresponsible directorates are largely to blame for the misuse of their powers.

METHODS OF CHOOSING DIRECTORS.

Another evil of the system of private control and Federal regulation is the evil arising out of the powers of incorporation. For example, members of boards of directors are elected by stockholders without any knowledge of their competency or fitness in any way. Some of the best-paying roads are owned very largely by women and children, charity institutions, trust companies, and so forth. The owners of these and all roads, in fact, have absolutely no voice in their management and do not even know the board of directors they elect. If they vote at all. The great mass of stockholders vote by proxy as requested by the boards of directors in office. They do not know one another, nor the directors they vote for, save in rare instances. Sometimes a good board is elected, but through no virtue of the knowledge of the stockholders of the road. The facts are there is no more merit in this system of choosing directors than there would be in having a crazy man pick a board by chance from a crowd of people passing him on the street. The board picked by a crazy man under such a method might possibly have an advantage over the present system, because the men picked would be innocent of ulterior motives at least, and to begin with free from purely speculative desires. When one considers the value of these great properties and the far-reaching influence their use has upon civilization, one can but marvel at the careless methods employed in their management. The wonder is they have been as well managed as they have. In fact, considering the opportunities for fraud and mismanagement, one might reasonably take the fact that the roads are in no worse condition than they are as really a tribute to the high character and integrity of the majority of the men behind them. The fact that fraud and mismanagement has destroyed public confidence to a large degree is no fault of these men back of the successfully managed roads. They certainly can not profit by these mismanaged properties about them, with all the bad odor that goes with it. If they do not now, while the shackles of presidents are broken, make a strike for liberty from the evil influences and operations of speculators, they will find the old shackles riveted after the war is over.

The roads should be set free from the raids of the wreckers and their earnings made secure for payment of honest investors so that values may be stabilized in order that extensions and betterments may be made. There has been absolutely no way suggested that will bring about these conditions safeguarding all interests, excepting through Federal control by means of a Federal railroad corporation with full and complete power to control and operate the roads as a unit.

The Federal control over national banks through the Federal Reserve Board has proven a great boon to the country. No one would think of abandoning that system now. There is no reason why the same successful principle can not be applied to the roads. The banks are privately owned. No one calls that system of control Government ownership. The method of Federal control of roads provided for in this bill can be slightly modified and made into a perfectly workable system for the roads along the lines of the Federal reserve act. The results would be far-reaching indeed. It would result in control of stock and bond issues, unification of service, elimination of useless competition, development of ports and distribution of traffic, standardization of construction, a fair freight rate, and a fair return on investment in properties, and the prevention of speculation.

With such a purpose in view I have done my best to convince my colleagues that the placing of a two-year limit in section 14 for the return of these roads to their owners is an effort to turn the hands of the clock of progress backward, and I sincerely hope that the limitation will be stricken out. [Applause.]

Mr. ESCH. Mr. Chairman, I yield 40 minutes to the gentleman from South Dakota [Mr. DILLON], a member of the committee.

Mr. DILLON. Mr. Chairman, this bill is a war measure. The Government has an absolute right under existing law to take over the control and possession of the railroads as a war necessity. During the period of Federal control the Government must pay a just and fair compensation for the use of the property.

The main features of the bill under consideration are:

First. Within certain bounds and limitations the President is empowered to make a voluntary agreement with the carrier with respect to the value of the use of the property during the period of Federal control.

Second. A board of referees or arbitrators is created to report in each case the just compensation that should be allowed the carrier for the use of its property, and upon the report of such board the President may enter into an agreement with the carrier for just compensation, not in excess of the finding of the board.

Third. If these two methods of reaching a contract fails, then the Court of Claims, on the motion of either party, shall ascertain the amount of just compensation for the use of the property during such Federal control.

Fourth. Provisions are made for betterments and extensions, and a revolving fund is created, out of which expenditures may be made for such betterments and extensions during the period of control.

Fifth. The President may, when in his judgment it is necessary in the public interest, initiate rates, fares, charges, classifications, and regulations or practices by filing the same with the Interstate Commerce Commission in the method and manner as he shall direct. The Interstate Commerce Commission shall then investigate and report thereon to the President for such action as he may deem required in the public interest.

Sixth. The Federal control shall continue for and during the period of the war and a reasonable time thereafter, which shall not exceed two years after the ratification of the treaty of peace.

On December 26, 1917, the President issued his proclamation to the effect that at noon on December 28, 1917, the Government would take possession and assume control of the systems of transportation in order that they might be utilized for the transfer and transportation of troops, war supplies, and equipment to the exclusion, as far as might be necessary, of all other traffic thereon.

This proclamation was made under a provision of the act approved August 29, 1916, entitled "An act making appropriations for the support of the Army for the fiscal year ending June 30, 1917, and for other purposes," viz:

The President, in time of war, is empowered, through the Secretary of War, to take possession and assume control of any system or systems of transportation, or any part thereof, and to utilize the same, to the exclusion as far as may be necessary of all other traffic thereon, for the transfer or transportation of troops, war material, and equipment, or for such other purposes connected with the emergency as may be needful or desirable.

Under this provision it will, in my judgment, be conceded that the President had the right to take over the possession and con-

trol of the railroads. It would seem, however, that the President, through his Director General of Railroads, is assuming powers not heretofore granted. The President's proclamation provides:

Until and except so far as said director shall from time to time otherwise by general or special orders determine, such systems shall remain subject to all existing statutes and orders of the Interstate Commerce Commission, and to all statutes and orders of regulating commissions of the various States in which said systems or any part thereof may be situated. But any orders, general or special, hereafter made by said director, shall have paramount authority and be obeyed as such.

Here is found a clear assumption of power over existing law. He directs that the orders of the Director General of Railroads shall have paramount authority and be obeyed as such. This means that all existing Federal statutes, all orders of the Interstate Commerce Commission, and all statutes of the various States and orders of railroad boards of various States of the Union are subject to nullification and displacement by the paramount authority of the Director General whenever he may so order. One of the objects of this bill is to perpetuate these powers.

If this power exists, the Director General may nullify every Federal and State statute affecting railroad rates and operation and every order of the Interstate Commerce Commission and of all of the State railroad boards. If this power be exercised, the Director General will supersede all of the functions of the Interstate Commerce Commission and State railway commissions relative to the operation of the railroads and the fixing of just and reasonable rates and charges.

Under this power the carrier might be released from making full report of accidents to the Interstate Commerce Commission. The boiler-inspection law, the safety-appliance act, the hours-of-service act, and the eight-hour day law could all be held for naught because the order of the Director General of Railroads is by the proclamation made supreme and paramount over all laws and orders.

It seems to me it must be conceded that the control and possession is for war purposes, for the transportation of troops, war material, and equipment, and that the railroads are to be utilized for that purpose "to the exclusion as far as may be necessary of all other traffic thereon."

Under the law and proclamation the commerce is divided into two classes: First, the transportation of troops, war material, and equipment; second, "all other traffic thereon." Under the first classification the military supremacy is supreme, and because of this supremacy the second classification becomes a mere incident in the railroad operation.

It is the duty of the military authorities to assist the civil authorities in arresting offenders and violators of law upon process issued by the civil or criminal courts. The civil authorities and the military authorities should assist each other in administration of the law. The power to provide for the general welfare is not limited in time of war, and one authority is not hostile to the other.

The military sovereignty is supreme in the line of its operation, but it does not overturn the Federal and State laws nor does it annul the powers of the courts to fix reasonable and just freight rates. Railroad rate making is not a military function but is a civil function administered by the courts for the general welfare of those interested in the commerce of the country.

We should ungrudgingly give all the power necessary to the Director General of Railroads for a successful operation of the roads in the prosecution of the war.

The fixing of rates, fares, charges, classifications, regulations, and practices of carriers is not a war power. There is no necessity for the military sovereignty to take over these functions. If all the power over operation of the railroads is secure it certainly would not be necessary to destroy the State and Federal machinery for rate making.

It is insisted that the demurrage regulations should be administered by the Director General. When analyzed, however, such necessity is not apparent. Why should the commerce of the country be disorganized and confused? If it becomes necessary to secure speedy unloading of the cars the war power could be brought into play. The war power could force the consignee to unload; in case he failed to do so, the military power could unload the cars and send them on their journey.

Neither is the routing of all commercial freight an absolute necessity. The movement of troops, war material, and equipment is a military necessity, and unlimited power should be granted to the military authorities so that these instrumentalities could be speedily used in the work in which we are now engaged.

Let the Interstate Commerce Commission and the State railroad boards attend to the rates, regulations, and practices and

give the Director General all power necessary to operate the roads, disturbing the commerce of the country as little as possible. The rates now fixed by law should remain substantially as they are because our guaranty as to compensation rests upon this standard. The Interstate Commerce Commission should not be abolished nor should its functions be impaired. The Director General can be given the power necessary to run the roads without encroaching on the functions of the Interstate Commerce Commission, because the commission has nothing to do with operation. The Interstate Commerce Commission stands between the shipper and carrier with respect to rates, but that does not interfere with granting the Director General the full and complete power of operation.

If Congress permits the military power to fix the rates, it would allow the military power the right to tax the shipper by increasing the rates above the rates now fixed by law. Every increase above a reasonable rate is a tax. Who ought to levy this tax, the Congress or the Director General of Railroads? The taxing power has always remained in Congress, and Congress should reserve to itself at all times the taxing function.

There are 30,000 miles of short-line roads not to be taken over, and the rate-making power as to these short lines will rest in the Interstate Commerce Commission, while, on the other hand, the fixing of the rates on the big lines will be vested in the Director General. As shown in the evidence, the large companies, or the best conducted companies, are making from 7 to 30 per cent, some of them more than that, upon the capital invested, which is clearly beyond a reasonable rate for the capital invested. The value of the use of the property at the time of the taking must form the basis of compensation unless there is some limitation in this bill whereby we can place a legislative bar or limit upon it. If you pass this bill as it is drawn and leave out that limitation, then these companies will go into court and recover every penny of their earning capacity if it be even 75 per cent.

Mr. RAMSEYER. Mr. Chairman, will the gentleman yield?

Mr. DILLON. Yes.

Mr. RAMSEYER. The gentleman has made the statement that some of these companies were getting unreasonable compensation under this bill, some as high as 30 per cent. Does the gentleman think that is just compensation?

Mr. DILLON. I think it is clearly beyond just compensation for a company that is engaged in the public service, and I believe the Congress ought to place a limitation upon it so as to prevent the carrier from receiving such a compensation.

Mr. SNYDER. Mr. Chairman, will the gentleman yield?

Mr. DILLON. Yes.

Mr. SNYDER. I would like to ask the gentleman how he would fix it so that a company that had made 30 per cent would be on an equality with a company that was operating, perhaps, a competitive line and making no money. Where would you draw the line between the two?

Mr. DILLON. I would draw the line by saying that all net income above 7 or 8 per cent that might be derived during war time should go into the revolving fund to be used to protect the Government in its guaranty.

COMPENSATION OF THE CARRIERS.

What is the measure of compensation that should be allowed the carriers for the use of property taken from them as a war measure? The taking of this use is the taking of property under the Constitution. The carrier is entitled to just compensation for the use of its property.

I know of no better rule to guide the fixing of this compensation than that of the demonstrated value of the use. The profits that the carrier has been making probably would constitute the best basis to estimate the value of the use to the owner. These carriers have been making earnings under rates fixed by the Government and these rates are presumed to be reasonable.

If under these rates the company has been able to earn in the past 25 per cent on its capital invested, and the Government deprives the company of the use of its property, it ought to pay as just compensation the value of the use; but we must not forget that the carrier is engaged in a public service. There is great force in the argument that the carrier ought to have substantially the same return after the Government deprives it of the use of its property as it was making under its own operation.

Under the provisions of this bill I do not see how the compensation can be reduced below the previous earnings, because the carrier can go into court and prove that it was entitled to a just compensation for the use of its property. The compensation provision is predicated upon depriving the carrier of so much money for the use of its property. Our claim for reduction of net income must rest upon fixed rates. We must place a limit upon the net income, otherwise the carrier will be entitled to compensation based upon existing law.

The duty of the carrier is to perform a public service at a reasonable rate. If the road accumulates an immense surplus or pays excessive dividends, such surplus or excessive dividends would constitute a convincing argument that the rates have been too high.

The carrier must have a fair return on the fair value of its property. This must be conceded. Congress has donated land grants to many roads. Counties, towns, and cities have issued bonds to finance railroad construction. People have given rights of way, terminals, and vast sums of money to secure these public highways. I do not see how Congress can now make any set-off or any claim against the carrier by reason of these donations and gifts.

It matters not how the carriers obtained these properties so long as they are used in the public service. The money may be stolen. It may have been secured by robbery, by levying tribute on the shipper, by unreasonable charges, by discrimination, by wrong or oppression. Still when these funds are put into the public service they belong to the carrier.

Because of these contributions the Government could not now refuse to pay the fair value of the use of the property. The title as between the Government and the carrier can not be questioned, nor can the Government set up a trusteeship over the funds heretofore obtained and undertake to make a redistribution of these funds.

For more than 10 years, the Interstate Commerce Commission has been deciding what rates are reasonable and what rates are unreasonable. During all the period of regulation the carrier could have gone into court and proved, if such were the facts, that it was not receiving a fair return upon the capital invested. Because they have not done so we must assume that their earnings have brought reasonable returns on the capital invested.

Mr. SNYDER. Mr. Chairman, will the gentleman yield?

Mr. DILLON. Yes.

Mr. SNYDER. Can the gentleman point out a particular road that is making 25 per cent or above that?

Mr. DILLON. Oh, yes; some of them are making more than that. The Burlington is making 22 per cent. I read from Senator CUMMINS's minority report. The Duluth, Missabe & Northern Railroad is making 114 per cent; the Panhandle & Santa Fe Road is making 64 per cent; the St. Louis, Brownsville & Mexico Railroad is making 52 per cent; the Colorado & Wyoming Railroad, 162 per cent; the New York, Philadelphia & Norfolk, 35 per cent; the Cumberland Valley Railroad, 24 per cent; the Bessemer & Lake Erie Railroad Co., 647 per cent.

Mr. SNYDER. Is there any way the Interstate Commerce Commission can make a rate which would be different for one road from that of another carrying the same commodity?

Mr. DILLON. I think not. I think the rate must be general, and that is where the trouble comes. The weaker roads, it is said, must make the profits upon the capital invested, and it is upon that theory that the excessive rates are made; it is upon that theory that the big roads have been able to plunder the public.

Mr. SNYDER. Is it contemplated under this bill that the President, having the right to make rates, shall make a rate that will make the road that has been operated unprofitably hereafter operate profitably and make money upon the basis of those that have been handled efficiently?

Mr. DILLON. I do not think the Director would do that, but I do think that every one of these railroad companies, when they get into court, will recover upon the demonstrated value of their property, and when they do that they are recovering against the Government excess profits that they ought not to recover, and these excesses should be handled now by the Congress by setting a limit on those that are making excessive profits and turning the excess profits into the revolving fund in order to protect the Government.

Mr. SNYDER. Does not the gentleman think that under the present form of excess-profits tax the Government will lay its hand on this additional amount that he thinks they ought not to make?

Mr. DILLON. The taxing law must be general as to everybody in the same class, but that gives the Government but little protection. Here is a road that is making 50 per cent profit. I say this congressional body ought to say to that road, "You are working for the public and in the public service, and we will not tolerate such a percentage, therefore we will turn the excess into a revolving fund during the time of war to protect the National Government."

Mr. SIMS. Mr. Chairman, will the gentleman yield?

Mr. DILLON. Yes.

Mr. SIMS. Has the gentleman read the speech of Senator KELLOGG, of Minnesota, which appears in the Record of the 15th, delivered on the 13th, in which he explains fully that these

very large returns of those roads to which the gentleman refers, in which he says that the percentage of the value of the property is very small compared to anything like what is reported?

Mr. DILLON. I have not read Senator KELLOGG's speech.

Mr. SIMS. The gentleman will find an explanation of it in that speech.

Mr. DILLON. But it was shown in the hearing and is undisputed that these roads are making these immense sums, and we should not allow them to do it in the time of war.

Mr. RAMSEYER. Under the provisions of this bill now pending before this committee, will these roads that the gentleman has just enumerated continue to make the same returns hereafter that they have heretofore?

Mr. DILLON. Yes; and not only that, but those great railroads do not want to put a limit on for a return of the property. The attorney who represented the railroads came before the committee and was going to argue the limitation question, but when he finally came back he petered out and never touched the question.

Mr. SNYDER. I would like to ask the gentleman for information one more question, and I do not want to interfere with his argument, but are these profits that he has mentioned of from 25 to 50 per cent based on the capitalization of the railroads or the actual value of the property?

Mr. DILLON. Well, it is based upon their net earnings on their stock.

Mr. STEVENSON. Will the gentleman yield?

Mr. DILLON. I will.

Mr. STEVENSON. As I understand from tables I have received, the gentleman takes the Bessemer & Lake Erie, and under the plan proposed we will be paying it 27.63 per cent on its capital stock. Now, as I understand the gentleman, he proposes to put a limitation and say they shall receive a standard return not exceeding 7 or 8 per cent on the capital stock?

Mr. DILLON. Yes.

Mr. STEVENSON. In other words, giving 7 per cent and the Government taking 20.

Mr. DILLON. Yes; or dividing the excess between them.

Mr. STEVENSON. And making it 15 per cent.

Mr. DILLON. The Government taking half and giving them half.

Mr. DECKER. Will the gentleman yield?

Mr. DILLON. I will.

Mr. DECKER. Does the gentleman favor leaving the power to fix the rates in the hands of the Interstate Commerce Commission?

Mr. DILLON. Most certainly it ought to be done.

Mr. DECKER. Does the gentleman do that on the theory they are a wise and efficient body?

Mr. DILLON. Yes; they have been the only rate-making body.

Mr. DECKER. Now, let me ask another question in connection with that. Is it not a fact that all these rates and these profits which the gentleman claims are excessive have been made under the sanction of this same body the gentleman wants to continue in power?

Mr. DILLON. Yes. But it is done under the theory that the little roads are not able to earn enough to receive just compensation on the capital invested. It is upon that ground that I claim the Congress should write into this bill a limitation as to these excess profits.

Mr. SIMS. If the gentleman will permit, I will read the facts about the Bessemer; they are very short.

Mr. DILLON. I am afraid it will not allow me sufficient time to finish my argument. I will allow the gentleman to read it in his own time.

Mr. SIMS. The gentleman is the one who has made the charge.

Mr. DILLON. My time is limited and I do not think I will have enough time for that.

Mr. SIMS. Forty-five million capital stock—

Mr. DILLON. Let me proceed because I have something else to say.

Mr. KINKAID. Will the gentleman yield?

Mr. DILLON. I will.

Mr. KINKAID. Has the gentleman prepared any amendment to offer on the line of his suggestions?

Mr. DILLON. No; but there will be one offered; if not, I will offer it.

By the rate-making power the Government has in a measure acquiesced in the rate-making power of the Interstate Commerce Commission and it may well be claimed that such rates have provided a fair return on the capital invested. Yet what right has the carrier to invest the surplus in extensions and then charge the public a reasonable return on these extensions?

If the carrier is making 25 per cent on the money invested it proves that the rates are unreasonably high. If the carrier puts the surplus in extensions and then charges the public with reasonable returns on the funds so invested it proves again that the carrier is getting more than a fair return on the capital invested. Remember that the carrier as between the public and the Government is entitled to only a fair return on the capital invested.

I believe that 70 per cent of the railroad mileage of the country is earning more than a reasonable return on the money invested and that 30 per cent is earning less than a reasonable return on the money so invested.

If the provisions contained in this bill are carried out the 70 per cent of the mileage will be earning from 7 to 30 per cent on the capital invested, and unless some provision is placed in the bill to prevent so great an earning power by these great corporations engaged in a public service they will all get the demonstrated amount of their earning capacity. The other 30 per cent that has been earning but small income will receive a fair return on the capital invested, which will be much greater than they are now making.

Every one of the companies that are not making good rates will be given good rates when the compensation is fixed.

In view of the guarantee the Government is about to make, the financial aid that is about to be given, the sustaining of the credit of the railroads, the relieving them from all hazards and perils of war, from all uncertainties of business conditions, it is only just that at least a part of the excessive income of some of the roads should be converted into the Public Treasury, because they ought not receive more than a fair return on the capital invested.

When the income of the carrier reaches beyond a fair return the excess should be used in the interest of the public for a reduction of freight and passenger rates. By converting a part of this into the Treasury it enables the Government to reduce taxes.

The barrier against a reduction of rates has always been that the poorer roads must be allowed the higher rates in order to make a reasonable income. The same rates must apply to all roads, and therefore those more fortunately situated—the big roads—have been able to earn more than a reasonable and fair income.

In providing for compensation in this bill we have no right to go into the past and take the earnings heretofore distributed, but that rule has no application when we are legislating for the future. As to the future, Congress has, it seems to me, the absolute right to fix a limit above which the earnings should not go, and that the excess should be converted into the revolving fund to protect the Government in its general guarantee.

TIME FOR RETURN OF PROPERTY.

Under the terms of the bill the Federal control shall continue for a reasonable time after the war, not to exceed two years after the ratification of the treaty of peace. It will probably require two years to secure the ratification of the peace treaty.

Mr. DENISON. Will the gentleman yield?

Mr. DILLON. Yes.

Mr. DENISON. What limit does the gentleman think the Government ought to fix?

Mr. DILLON. I should think 7, 8, or 9 per cent, and then let the Government take half of the excess and give the carrier the other half. With that the carrier ought to be satisfied.

Mr. DENISON. Does the gentleman know any road that is making that amount now?

Mr. DILLON. Oh, yes; I read a list of them. The gentleman was probably not here at the time, and I did not read half of them. I now pass to the question of the return of the property.

It will take two years to get a ratification of the peace treaty. Then if you add two more years that gives four years, and we are playing a fast and loose game with the people of this country. If so, the holding of the property might extend over a period of four years. This period of time ought to be materially reduced. It is altogether too long. In my judgment, six months after the ratification of the treaty of peace would be long enough.

The justification for the seizure of the property rests on military necessity. When military necessity ceases the right of possession ceases. When the war closes conditions will change and the right to operate on the payment of the value of the use no longer exists. A new right springs into existence—the right of ownership.

If this right is not brought into existence, then the property ought to be promptly returned, because the tenancy is necessarily ended. The consideration in the first instance is the

value of the use. When the military necessity ceases a totally different compensation must be paid—the value of the property so taken. When the property itself is taken it becomes a second taking and the compensation must be a fair compensation for the value of the property.

When the war ends and the military necessity ceases, it becomes the duty of the Government to condemn the property and take it over or give it back. After a reasonable time has expired after the close of the war the holding of the property by the Government might be without the consent of the carrier and would be without justification and unlawful.

Such holding would be unfair to the stockholder. It would not do to say that we got possession of the use under the emergency of war, and we will take three or four years to determine whether or not we will return the property itself.

The gentleman from Nebraska [Mr. STEPHENS] would hold somebody else's property and experiment upon it and run an experimental station and school in order to determine whether the people would want Government ownership. [Applause.]

Neither would it be right to say that we will hold on to the property and try out Government ownership, run a Government school with the property for three or four years to determine whether we like it or not, whether it will prove a good bargain or a bad one.

If the Government wishes to engage in this enterprise it ought to say so. If a sheriff levies upon property by virtue of a writ of execution, which is afterwards set aside, the law requires him to return the property before he can again levy on it. If his execution is paid he must immediately return the property. If he fails he becomes a trespasser, holding without right.

The Government should not blow hot and cold at the same time. It should promptly do its duty by returning the property or commencing condemnation proceedings for taking over the property and paying the value of the same. I am not opposing Government ownership, but I do oppose a fast-and-loose policy on behalf of a great Government. If we want Government ownership, let us say so. If we do not intend to take over the property, it is our duty to speak and say what is our policy. To remain silent with concealed purposes is not right and should not be tolerated.

Let us fix a definite time by a definite statement. By so doing we will discourage speculation. The public will know our purpose, and the business world will not be disturbed by uncertainty. Upon uncertainty the gamblers' games are played. Give the people certainty, and not uncertainty. [Applause.]

Mr. SNYDER. Will the gentleman yield?

Mr. DILLON. I do.

Mr. SNYDER. A few moments ago I asked the gentleman whether or not these rates of per cent that he stated some roads were making were based on the capital or upon the value of the property, and I think the gentleman stated they were based upon earnings. I do not think the gentleman intended to say that—

Mr. DILLON. With certain deductions.

Mr. SNYDER. That they were based upon the earnings. It must have been either based upon the capital or upon the value of the property. I do not see how it could be based upon the earnings.

Mr. DILLON. It is based upon the earnings after certain deductions are made, so as to get net earnings. It would, of course, be upon the stock or book value. Another reason why these properties should be turned back at the earliest possible moment is to protect this Government in time of peace. In my judgment every railroad company in this country would be glad if this Government might continue this fast and loose policy for say three or four or five years, because it gives the railroad companies \$200,000,000 more than they ought to have. They are not anxious for a limit; they do not want a limit. They want to continue in Government operation, so that they may make still greater sums of money. So in order to protect the Government and in order to protect the people, let us turn back these roads at the very earliest possible date whenever the emergency of war ceases. By doing so we will be protecting the Treasury, and it will give us ample time to determine the future policy of the Government.

By all means, both moral and legal, and for the protection of the Government, these roads ought to go back whenever the emergency ceases, because then the necessity ceases. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. DILLON. Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the Record.

The CHAIRMAN. The gentleman from South Dakota asks unanimous consent to revise and extend his remarks in the Record. Is there objection?

There was no objection.

Mr. SIMS. Mr. Chairman, I yield 10 minutes to the gentleman from Maryland [Mr. COADY].

Mr. COADY. Mr. Chairman and gentlemen of the committee, on the 28th of last December the President of the United States, in pursuance of the power previously conferred upon him by the Congress, took possession and control of the railroad systems of the country, including the water transportation companies which are owned or controlled by them.

It was the most revolutionary economic action in the history of this country; but that such action was necessary is not open to dispute. The officials of the roads themselves approved the act taken by the President, knowing that it was rendered imperative by the breakdown of their roads and their inability to give the service that was expected of them or to meet the unusual demands made upon them by conditions growing out of the war.

I do not intend at this time to discuss the reasons for such failure, although I want to say that in my judgment it was due to a condition produced by what I might term a maximum of regulation and a minimum of increase in rates. We have not been fair to the railroads.

The New York Times, in an editorial published November 8, 1917, said that in all the annals of our national waste and extravagance there is nothing to compare with our mistreatment of our railways, now recoiling upon ourselves. Now that the operation of these transportation systems is under Federal control, we should see that their owners are justly compensated for the use thereof, and I believe the bill now before this body gives them justice.

I intend, in the time allotted to me, to comment only on two features of the bill—section 14, making provision for the return of the railroads to their owners after the war, and that portion of section 11 that safeguards the existing laws or powers of the States in relation to taxation. These provisions were not in the original bill, but were added by the committee, one by a vote of 15 to 6 and the other by a unanimous vote.

I not only believe that the railroads should be returned to their owners after the war, but I believe a definite date should be fixed when the Government operation of them shall cease. This bill fixes the time to be two years after the final ratification of the treaty of peace, which will mean at least three years after the cessation of hostilities. Surely this will give the Government ample time to meet the new problems that will arise and to so adjust things that the return of those vast properties to their owners can be made without producing the chaos and speculation that some people fear may ensue.

One of those who appeared before our committee and approved a time limit feared that there might be a deadlock in some future Congress over some measure affecting the roads, and said, "How many times has there been a deadlock between the House and the Senate, or the Congress and the President, in the past 25 years?" My answer to that is that such instances were very few and were infinitesimally small compared with the number of measures that were passed and approved.

Are we to be governed by the exception or the rule?

This same gentleman, however, later on in his testimony, was a little more trustful of Congress, for he said that there is a belief on the part of investors that Congress can be trusted to deal with this problem fairly.

Mr. Speaker, Congress can be trusted to deal fairly and justly in this matter, and it will do so.

If, after the termination of the war and the expiration of the time limit fixed in this bill, conditions will be such as to render necessary the extension of the time of Government control, is there anyone here who doubts that such action will be promptly taken and the needed laws passed? To think otherwise would be a reflection on the patriotism of Congress.

Mr. DILLON. Will the gentleman yield there?

Mr. COADY. I will yield.

Mr. DILLON. Suppose when such an extension bill had been passed that the Executive vetoed it?

Mr. COADY. Then the responsibility will be the Executive's and not that of Congress, and I have too much faith in the patriotism of some future President of the United States and the present Executive to believe he would veto a proposition of that kind.

Mr. DILLON. Then, it would take two-thirds to get away from your proposition in that event.

Mr. COADY. There need be no fear that Congress will hesitate to take prompt action when the necessity for it arises. The history of this Congress and a record of its achievements are proof of this assertion.

The position of those who are charged with the responsibility of administering this law, and who do not favor a time limit, seems to me to be this: They are unwilling to trust this Congress or a future one, yet they ask us to trust them. We do trust them and we want them to trust us.

When Mr. Anderson, a member of the Interstate Commerce Commission, appeared before our committee he was questioned as to the effect the passage of this act would have on the power of the States and their political subdivisions to tax railroad property. He answered, it was a very pertinent inquiry, and that he was not prepared at that time to say that it would or would not deprive the States of such power, or limit it, or otherwise affect it.

Subsequently, he asserted that he was sure the taking over and control of the roads by the Government would not impair their rights, and submitted a number of authorities in support of his assertion.

There is a doubt in my mind about this, and all the other members of the Committee on Interstate and Foreign Commerce, I believe, entertain similar doubts.

This being the case, we thought we should have affirmative propositions to this effect in the bill.

Mr. MADDEN. Will the gentleman yield for a short question?

Mr. COADY. Yes, sir; I will.

Mr. MADDEN. Take, for example, the State of Illinois. That State in its early history granted a charter to the Illinois Central Railroad Co. One of the conditions of the grant was that it would be given certain public lands owned by the State. Another condition was that it should pay 7 per cent on its gross receipts into the treasury of the State during its existence. If there was any question about the right of the State to collect this tax, then certainly there ought to be affirmative action in this bill protecting the right of the State to the revenues it derives from this source.

Mr. COADY. I have thought that from the outset.

The only objection I have heard made against it is that it will be an invitation to the States and municipalities to impose additional and unfair taxation upon the railroads. This is a reflection on the taxing power of the States and municipalities, to which I am unwilling to subscribe, and which I resent as a reflection upon the integrity of such powers.

Mr. MASON. Is there any objection on the part of the committee to this affirmative action proposition?

Mr. COADY. I will say to the gentleman from Illinois, and I think I will be borne out by the members of the committee, that the vote was unanimous in favor of some affirmative proposition in the bill.

Mr. LINTHICUM. The Baltimore & Ohio Railroad is free from taxation. Does this or does it not bring it under taxation?

Mr. COADY. That is a matter of contract, and of course we could not impair the obligation of a contract.

Mr. LINTHICUM. According to some one speaking here the other day, we could.

Mr. COADY. I will say to my colleague that I had that in mind when I first suggested it to the committee, or rather asked Mr. Anderson questions along that line. I was apprehensive some bad results might flow to the State of Maryland and other States in the matter of taxation.

Mr. MASON. Will the gentleman yield?

Mr. COADY. I will yield to the gentleman from Illinois.

Mr. MASON. In the case cited by my colleague from Illinois, Mr. MADDEN, there was a contract consideration whereby this corporation received a large amount of public land to be relieved from other taxation and to pay all of their taxes in the shape of a percentage on its gross earnings into the State treasury. Now, that is largely the source of revenue of the State of Illinois, and the Supreme Court of the United States has decided that Congress has power to impair the obligation of a contract.

Mr. COADY. There might be some danger of losing that without an affirmative proposition in this bill protecting the powers of the States to tax railroad property.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SIMS. Mr. Chairman; I yield 30 minutes to the gentleman from Ohio [Mr. SNOOK], a member of the committee.

Mr. SNOOK. Mr. Chairman and gentlemen of the committee, in the short time allotted me I want to discuss only two or three of the propositions contained in this bill, and at the outset of what I have to say I want to express the idea that I have never yet studied any question that has given me so much trouble as this legislation.

When you stop to consider that the value of the property we are legislating about approaches the vast sum of \$18,000,000,000; that it involves a railroad mileage of more than 260,000 miles, more than all the railroads of Europe combined; when you stop to think that more than 600,000 people are interested in the stocks and bonds of these railroads, besides a vast number of savings banks and insurance companies, you will see that your committee was laboring under very great

difficulty in trying to bring before this House a measure that would be just to the people and at the same time be just to the persons who were interested in this great amount of property.

Now, I wish to be fair in my consideration of this proposition. It seems to me that sometimes men who approach a question in which a corporation is involved come to it with a prejudiced notion or a prejudged idea to start with, either on the side of the corporation or on the side of the people who, they say, have been robbed by the corporation.

I was very much interested in the discussion of this subject by my colleague from Nebraska [Mr. STEPHENS]. Now, of course, it is well understood by everybody that there have been very many, many abuses in the conduct of the railroad systems of this country in the past, and anybody who has studied this question at all is of the opinion that there should be some way in which such episodes as the reorganization and exploitation of the Rock Island and of the New Haven Railroads could be avoided in the future. But I want my colleague and gentlemen of the committee to remember that it is not only the railroads that are exploited, but all through our business life we find men investing their money in corporations and taking advantage of the investments of their friends and exploiting these corporations to the disadvantage of the people of the country. And I want to say that I have not reached the position where I am willing to say that there are not men in America, the greatest country in the world, that are not big enough and broad enough and honest enough to look after the investments in the railroads of this country, large as they may be, and to administer them honestly and efficiently and safely. [Applause.]

Mr. GORDON. Mr. Chairman, will my colleague yield?

The CHAIRMAN. Does the gentleman from Ohio yield to his colleague?

Mr. SNOOK. Yes.

Mr. GORDON. I call the gentleman's attention to the important difference, however, that where men exploit and rob private corporations belonging to individuals they are sent to the penitentiary. Why do you not bring in legislation that will do the same with the railroad managers?

Mr. SNOOK. Well, that should be done, but I have not time to discuss that question with my friend from Ohio. I want to discuss the proposition now pending before the House. I want to say a few words on that and not on the subject the gentleman refers to.

The gentleman from Nebraska [Mr. STEPHENS] made a very lengthy and luminous argument to this House and tried to distinguish and did distinguish between Government ownership and the control which will be exercised under this measure, and left the impression, I think, upon this House—at least, he did leave the impression upon my mind—the impression that it would be right, that it would be just, that it would be fair for the American Congress and the executive officers of this country to take over this vast property under governmental control under the guise that it was a war necessity—because it has taken it over under an act providing it could be done only as a war necessity—and then to keep that property under governmental control for 8 or 10 or 12 years after the war had passed to experiment with the property that these men owned, in order to find out whether or not this measure would be the best that could be put into effect in times of peace. I am not able to have my mind go to the extent of believing that that is the thing that this Congress ought to do, and I call the gentleman's attention to this fact, which it seems to me he overlooked, that while this is a bill for governmental control, it is a bill which guarantees to the stockholders of the railroads of this country a return which is the equivalent of the average which they have earned for the last three years.

I do not believe that I could bring my mind to sanction a law that in times of peace would take over the railroads of this country, this vast property, and guarantee them a return such as is guaranteed under this bill. I willingly do it now. I am glad to join with the Executive in carrying out this proposition as a war measure, because I have seen in this Congress on both sides of the House men standing side by side with no other purpose in their hearts than to carry out this war to a successful issue and make every sacrifice that may be necessary. I do not believe that a majority of this House or a majority of the other body would be willing in times of peace to take over these great properties and guarantee to the people who own them this return in time of peace.

Mr. BANKHEAD. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Ohio yield to the gentleman from Alabama?

Mr. SNOOK. Yes.

Mr. BANKHEAD. In that connection I would like to ask the gentleman from Ohio if there was any evidence before the committee of the aggregate income accruing from all the railroads of the United States throughout this three-year period?

Mr. SNOOK. Oh, yes. It aggregates a little over 5 per cent on the stocks as returned. Yes; we had a large amount of evidence on that subject.

Mr. MADDEN. Mr. Chairman, will the gentleman yield further?

Mr. SNOOK. I will be glad to.

Mr. MADDEN. Does that cover all the railroads—those that are not to be taken over as well as those that are to be?

Mr. SNOOK. That was the average of all the railroads making returns through the Interstate Commerce Commission.

Mr. BANKHEAD. Was that on the basis of the capital stock?

Mr. SNOOK. Yes; that was on the basis of the capital stock.

Mr. MADDEN. So that the short-line railroads—so many hundreds of them—will not be taken over, but the average earnings of the roads that are to be taken under the control of the United States during the period of the war would be guaranteed a much greater return on their capital than 5 per cent?

Mr. SNOOK. It will be somewhat increased, but not as largely as the gentleman thinks.

Speaking on that subject, since my attention is called to it, I think I am myself as largely interested in that short-line question as any man in Congress. I have three of these short lines in my district. I would like the Members to have a clear idea on that subject. Take, for instance, one of the railroads that is in my district. It is 130 miles long. It was built some 12 or 15 years ago. It goes through a very rich agricultural district, but starting at a town of not very large size, and having its terminus at Fort Wayne, Ind., with its short length it was never able to earn a dividend or a return upon the stock, and it is now in the hands of a receiver.

It is typical of 500 or 600 of the short-line railroads of the country. I have arranged that it present its case to the Director General so that it may be determined whether or not its service would be such during the war that it should be taken over. The question that presents itself to this Congress is, Does the Congress wish to take over all of these short-line railroads? Do you wish to put that burden upon the Government and guarantee them a return that will make a profit to their stockholders? Can the Government afford to do that, if the Director General and the people who are looking after the conduct of this war say they are not a necessity in carrying on the war? That is the question that presents itself to the Congress; although we have gone just as far as it is possible to go, and after this bill was first drawn and placed in the hands of the committee an amendment was adopted and placed in the bill, which I do not have before me; which provides, in substance, that all of the routings that the short-line railroads which are not taken over can secure shall be observed by the Director General, and if it shall be necessary for the Director General in carrying out the purposes of the war, or in transporting war facilities, to take any of the freight away from these short lines that has been routed over them, it shall be his duty, in so far as possible, to compensate these roads by diverting freight from other roads over these short lines.

Mr. MADDEN. Will the gentleman yield for one further question?

Mr. SNOOK. Just a minute, and then I will. The railroad managers and the people who own the railroads said to us before the committee—and it was one of the things that was brought out in the evidence—that one of the valuable assets of a railroad is the right to solicit business. That had never occurred to me before; but a railroad is a business just like any other concern, and I think it was the president of the Southern Pacific, Mr. Kruttschnitt, who said that one of the most valuable assets that the railroads possessed was the privilege of soliciting business. So, you see, while these railroads are not taken over, we leave them the right to enjoy all the privileges they had before this governmental control came into existence, and also give them the privilege of still soliciting the business which belonged to other roads; and of course when the large railroads are taken over, in a very large measure, these people who are employed as solicitors will be dispensed with. That is one of the economies they expect to work out with the governmental control of railroads.

Mr. MADDEN. Is there anything in the bill pending, reported by the Interstate Commerce Committee, which compels the Director General of Railroads to make joint rates with these short lines? If there is not, I beg to say that it may discriminate to a very great extent and to the detriment of many communities through which the short lines run.

Mr. SNOOK. I think it may be fairly inferred from the amendment which the committee adopted, to which I have already referred, which makes it the duty of the Director General whenever he takes away from any of these railroads the privilege that they had, of freight being routed over them, to reroute the freight over them that would naturally go over the other lines. I would say that that would imply that he had the right to fix joint rates. And I will say further to my friend from Illinois, of course it is impossible to cover all of the details in any one of these bills; but if the gentleman could go into this matter as we have he would find out that it is the intention of the Director General—which I think is a good one in carrying out this law—to disturb the present arrangement as little as possible. That is to say, the present owners of the railroads, with their present management, are to be left in control, and only where it is an imperative necessity to carry on the business to better advantage or to do something that may tend to help us in the control of the war will this management be interfered with.

Mr. DEWALT. In order that the gentleman may be entirely accurate the wording of the amendment of which he speaks is this:

That nothing in this act shall be construed to affect the routing instructions over and the traffic arrangements of such railroads.

Mr. SNOOK. Traffic arrangements?

Mr. DEWALT. Traffic arrangements.

Mr. SNOOK. I thank my colleague for calling my attention to it.

Mr. MADDEN. Would it be obligatory upon the Director General under that language to prorate the rates between the short lines and the trunk lines?

Mr. SNOOK. Well, yes; I think so.

Mr. FIELDS. Is there any provision in the bill to protect the short-line roads against discrimination in the supply of rolling stock? For instance, if there is a car shortage will the Government contribute all its supplies to the roads that it is operating, or will it give the short-line road its proportionate share that it would be entitled to under ordinary business conditions?

Mr. SNOOK. There is nothing in the bill along that line. That is a matter of detail that I imagine will be carried out very much as the present management of furnishing cars is being carried out by the car-service board at this time. They are trying to obviate all these difficulties to which I have called attention.

Mr. FIELDS. That is one of the most important features for the short-line roads, that they may be permitted to get rolling stock.

Mr. SNOOK. I imagine that would be a matter of detail to be taken care of by the Director General in the management of the railroads. We know now that the car-service board are trying to take care of that detail and was before the railroads were taken over. Take the railroad to which I have just referred; I had that question up with the car-service board about furnishing railroad cars, and I found to my amazement that this little railroad only owned 10 freight cars, although several million dollars are invested in it. The car-service board had made an order on the Baltimore & Ohio Railroad to furnish 100 freight cars to this little railroad, which serves the agricultural people to carry their stuff to market.

Mr. SNYDER. Will the gentleman yield?

Mr. SNOOK. I will.

Mr. SNYDER. A few minutes ago the gentleman stated that the short-line railroads would be permitted to continue soliciting. Does he mean that it is the intention of the Director to discontinue the solicitors of freight on the large lines?

Mr. SNOOK. I can not answer the gentleman on that point. That was discussed in the hearings before the committee, and I thought, from what I heard from different sources, that while that might not be entirely done away with, they intended to work some economies along that line.

Mr. SNYDER. I wish to say that, in my judgment, it might be well enough to do away with some of them, but it would be a very serious situation to do away with all of them, because they not only solicit but help the shipper to route his stuff. Some might say that he would route it over his own line; but even if he did the solicitor helps get the product to its destination, and that is what we need to-day in railroading more than anything else.

Mr. SNOOK. That was one of the matters brought up before the committee. I think it was Mr. Kruttschnitt, of the Union Pacific, who showed that was a valuable asset—that the service rendered by the solicitor was not only to secure the business but to give instructions to shippers in regard to routing the freight.

Mr. SNYDER. It is a very important part of the service.

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. SNOOK. Yes.

Mr. COOPER of Ohio. I would like to ask if the Director General is soon to order all the short lines to stop solicitation?

Mr. SNOOK. I am not able to answer that question.

Mr. COOPER of Ohio. I think that was brought up before our committee, and I wanted to know if he had withdrawn it.

Mr. SNOOK. We could not object if the railroads are not taken over or if they are to be surrendered by the President; it would still give power to them to solicit.

Mr. STEVENSON. Will the gentleman yield?

Mr. SNOOK. Yes.

Mr. STEVENSON. In relation to the provision—

That nothing in this act shall be construed to affect the routing instructions over and the traffic arrangements of such railroads—

does the committee construe the term "traffic arrangement" to cover a division of the income from freight transportation?

Mr. SNOOK. I think that would fairly be the construction.

Mr. STEVENSON. That is not the usual and ordinary sort of a contract.

Mr. SNOOK. That provision was drawn by some of the people friendly to the short-line railroads. When it comes to the technical meaning I am not able to inform the gentleman.

Mr. SHALLENBERGER. Will the gentleman yield?

Mr. SNOOK. Yes.

Mr. SHALLENBERGER. The question of the retention of the railroads after the termination of the war is a very important one. The roads were taken over under the act of August 29, 1916, by the President as a war measure, and we gave the power to the President as a war measure. As the bill was reported, it provides that Federal control shall continue during the continuance of the war or until Congress shall thereafter order otherwise. Was it the opinion of the committee, from information gathered, that by a simple decree of that sort the railroads could be continued indefinitely in the hands of the Government after being taken as a war measure?

Mr. SNOOK. I do not quite catch the gentleman's question.

Mr. SHALLENBERGER. I know the bill has been modified, but as an original draft it provided that the ownership or management or Federal control should continue for and during the period of the war and until Congress shall thereafter order otherwise. Was it the opinion of the committee that they might remain indefinitely in the control of the Government unless otherwise ordered?

Mr. SNOOK. I think so; that was the argument.

Mr. SHALLENBERGER. Having once taken them as a war measure, it was the opinion of the committee that they could be held indefinitely?

Mr. SNOOK. The gentleman is referring to the constitutional question?

Mr. SHALLENBERGER. Yes.

Mr. SNOOK. That was fully argued before the committee, up one side and down the other. The committee, as has many other committees in the House, has many constitutional lawyers, and I notice that when any of these questions come up we have a superfluity of constitutional representatives.

Mr. MASON. Mr. Chairman, may I make a statement to the gentleman along the line that he is talking about?

Mr. SNOOK. Yes.

Mr. MASON. Upon the question of the solicitation of business—

Mr. SNOOK. I will ask the gentleman to defer that for a moment as I want first to answer this other question.

Mr. MASON. I beg the gentleman's pardon; I thought he had finished.

Mr. SNOOK. It was contended before the committee that inasmuch as these railroads had been taken over as a war measure under the act to which the gentleman from Nebraska [Mr. SHALLENBERGER] has referred, that they were taken over and held under the war power conferred by the Constitution. On the other hand we had gentlemen who appeared before the committee who advanced the argument that under the commerce clause of the Constitution the Government would have full power to take these railroads over in time of peace, and if they were held after the conclusion of the war, although they had been taken over under the notion that it was a war measure, still the Supreme Court would be inclined to say that inasmuch as the Government had the power to do so, the possession of the roads could be continued in the Government as long as Congress might wish.

Mr. MADDEN. Inasmuch as the President made the declaration in accordance with the law under which he took them over, would he not be bound by that?

Mr. SNOOK. I understand; but I am giving both sides of the argument. I want to give expression to this thought: That the very argument that has arisen upon this question is one of the strongest reasons, to my mind, why there should be a time limit fixed in the bill within which the railroads should be returned to their owners. It occurs to me that if there are two schools of thought upon this subject and there is no time limit fixed in the bill within which the railroads shall be returned to their owners after the war should end, and the owners of these railroads should be dissatisfied with the Government management and control, or with the amount of compensation they have been receiving, or anything of that kind, they would immediately go into the courts and begin litigation to secure the return of their property, and to my mind I must confess, although I am a lawyer and have never followed any other business, there could be no disaster that could befall the people of this country that would be so great as to plunge this great industry, the stockholders and the employees, into a litigation with the Government upon any question involved in the taking over of the property. I believe it would disturb labor conditions, and, more than that, I feel convinced that it would disturb the stock market and the value of the bonds and stocks of these railroads, and if the country were plunged into a litigation on this subject or upon any other vital subject connected with this bill it would bring on a panic, because the amount of property involved is so great. I believe it could not be otherwise.

Mr. MADDEN. Mr. Chairman, will the gentleman yield?

Mr. SNOOK. Yes.

Mr. MADDEN. The gentleman is talking about the effect on labor. I would like to ask for information upon the subject of how labor is to be affected with respect to the employers' liability laws of the various States and of the Nation now, whether they are to come under the Federal compensation act?

Mr. SNOOK. They come under the Federal liability act. When this bill was first drawn it contained a provision placing all of the railroad employees under a Federal compensation act. It provided for Federal compensation, but that was discussed fully in the committee, and there were very grave questions as to the constitutionality of that law. No one seemed to want it. The railroads are dissatisfied with it and the people who are employed by the railroads are dissatisfied with it; and the committee, having thought the question over, believed it would be the best thing to leave the employees in the situation in which they now find themselves.

Those who oppose the provisions of section 1, relating to the fixing of the standard return and defining and limiting its amount, assume that if this section as it now stand becomes law every agreement entered into between the President and carriers will allow compensation to the carrier at the highest rate permissible under the act.

It is said that the President suggested such rate in his proclamation assuming control of the systems of transportation, and therefore it may be definitely predicted that this standard will be applied in every case. Whenever one advances such a claim he loses sight of the fact that while the original bill as introduced by the gentleman from Tennessee on January 14, 1918, seems to have been drafted with this avowed purpose, as the language in this respect is as follows:

At an annual rate as nearly as may be to its average net railway operating income for the three years ending June 30, 1917.

Yet the bill has been amended in this respect by the committee so as to read as follows:

It shall receive as just compensation not exceeding an annual sum equivalent as nearly as may be to the average annual operating income for the three years ended June 30, 1917.

It may have been the intention of those who originally considered the matter to limit the power of the President in making an agreement in all cases to the single standard of the average operating income for the three years named. But it will be observed that the bill as amended enlarges the power of the President and authorizes him to make an agreement for compensation at any rate that he may deem proper, so long as it does not exceed this average.

I submit therefore that we are not warranted in assuming that those in control will ignore the right which this amendment confers and in all cases fix the compensation at the maximum rate named in the bill.

Moreover, we must remember that we are not now settling a policy that is to be permanently followed.

The Government has taken over the use of the railroad systems for the term of the war. Under the Constitution the owners have a right to compensation for the use of their property.

If the owners are unable to agree with the Government upon the amount of the rental they shall receive, then they have a right to go into the courts to have that amount fixed. If, therefore, the Government is not in a position to offer them a sum that nearly approaches the amount they have been earning under private management, it stands to reason that they will refuse to make an agreement and choose rather to exercise the right they have to submit their claims to a court for determination.

This presents a practical question. Shall we leave the bill as it is now drawn and under the provisions of which it is reasonably certain that the Government will reach an agreement with nearly all of the railroads, or shall we take the risk of inserting new and novel provisions which the owners of the railroads are not likely to agree to?

To my mind there is nothing that is likely to be so harmful in the end to the Government, the public, and the owners of the railroads as to frame the terms of this bill so as to preclude or render doubtful the settlement of these claims for rental through an agreement between the Government and the owners of the railroads.

All of the amendments to section 1 that I have yet heard proposed take away from the owners of the railroads a very substantial part of that which they have been receiving for many years. It seems to me that if any of such proposals are incorporated in the bill it will cause a large majority of the railroads to refuse to agree upon a fair rental and lead them to go into the courts for a settlement of their claims.

It is proposed to leave the management of the railroads so far as possible in the hands of the owners to be exercised by the men now in control. Certainly this will be so as to all the details touching maintenance and operation. Everyone who appeared before the committee conceded that this was the only wise course to pursue.

What then will be the effect upon the efficiency of the operation of the roads if those who have the details in charge and who are to be held responsible for success or failure are at the same time engaged in conducting a contest at law against the Government to determine a fact as vital as that of settling what rental they shall receive for the use of their property?

The extent of the success of the proposed plan of operation of the railroads depends in my opinion largely upon whether or not we so frame this bill under consideration as to enable the Government to reach a voluntary agreement with the owners of the roads for compensation along some such plan as that proposed in section 1 of the act.

No doubt there were many reasons which led to the proposal of this plan for fixing the amount of the compensation. But no doubt the paramount one was that we were taking over the roads for the purpose of assisting in the conduct of the war and that it is necessary at this time to submerge every other purpose to that of winning the war.

Therefore it is no time to stop to engage in a dispute over matters of public policy on which the people are divided. Neither is it the time to settle the question as to whether or not the people would be best served by Government ownership of the railroads. It is our patriotic duty to avoid disputes that will involve this great industry and all the people that are interested in it as stockholders, security holders, and employees in doubt and confusion.

It is our duty, in my judgment, through this governmental control to unify and coordinate the different systems of railroads and inaugurate such changes in the management and control as will assist in winning the war and best serve the people of the country during the war period, leaving as large a share of control in the hands of the owners as is consistent with these purposes.

All the proposed schemes that look to a radical change in the management or propose entirely new and different rates of compensation, figured on a basis entirely different from that which has prevailed under private management, it seems to me lose sight of the fact that we are engaged in a war that requires and demands the exercise of all the energy we can bring to bear and admits of as little dissension and dispute as is possible.

No one will be so bold as to claim that the proposed basis is entirely accurate and furnishes an exact test of the amount the carriers would earn during the war period or that it is an exact test under all the circumstances of what is just. But I do maintain that it is based on experience; that it is plainly understood and can be easily applied; that it is not likely to bring out a dispute between the owners and the Government, and has the added virtue of meeting the approval of a large majority of the owners of railroad securities and the public. This plan of providing compensation by agreement is wisely supplemented by paragraph 3 of section 1, which provides for taking care of depreciation and maintenance and for the adjustment at the conclusion of governmental control of all claims that

may be held, either by the Government or the carriers, for money that has been expended by either on account of maintenance and depreciation.

There has also been much discussion and criticism of the terms of section 11. It is contended by many that the President should not have authority to initiate and fix rates, but that this power should be left to the Interstate Commerce Commission.

The act of August 29, 1916, under which the railroads were taken over, is as follows:

The President, in time of war, is empowered, through the Secretary of War, to take possession and assume control of any system or systems of transportation, or any part thereof, and to utilize the same, to the exclusion as far as may be necessary of all other traffic thereon, for the transfer or transportation of troops, war materials and equipment, or for such other purposes connected with the emergency as may be needful or desirable.

The language of this act, conferring on the President the power to take possession and assume control of the carriers for such purposes connected with the emergency as he may deem needful or desirable, to my mind clearly implies that if, in his judgment, it is needful or desirable to effect this purpose intended to be carried out by the act he is empowered to initiate or fix rates or to do such other things to effect such control as he may deem necessary.

If this is not so, the authority granted is futile. Those who oppose giving him this power assume that the functions heretofore exercised by the Interstate Commerce Commission are to be entirely taken away and that those who are to exercise this control and management on behalf of the Government will undertake to change established rates and practices, without regard to what has heretofore been done and in disregard of the opinion of members of the Interstate Commerce Commission. That this conclusion is not correct and that any such action is far from the thought of the present Director General is shown by his testimony before the committee, for in discussing this subject there he gives expression to the following thought:

Mr. DECKER. Mr. McAdoo, there was one question that I wanted to ask with relation to the question of fixing rates. I would like to have your views as to the necessity and the wisdom of the Director General of Railroads having the right to fix the rates. I mean transportation rates.

Mr. McAdoo. I think that so long as the railroads are, by authority of Congress, in the possession of the President and are being operated by the President as Commander in Chief of the Army and Navy of the United States for the war purpose, he is bound to have a paramount control of the properties, so that he may exercise that power in any way that the public interest or any emergency that may arise may require.

Now, as to the rate-making power, I think the President undoubtedly has the power to control rates during the time of Federal possession, under the present law. I think, on the other hand, that that power ought not to be exercised—and I am sure it will not be exercised—except in such cases as may be necessary in the public interest. I think it would be very unwise for the Federal Government to undertake through the Director General of Railroads—who merely represents the President in this control—to pass upon all the rates in the country, either de novo or as questions may arise concerning them. I think that the agency of the Interstate Commerce Commission ought to be employed, and that it ought to hear these questions from time to time as the public interest requires, and that the views of the Interstate Commerce Commission or their judgment as to what ought to be done in the circumstances ought to prevail, and I think would undoubtedly be permitted to prevail, except in so far as it might be wise for the President to modify or to change them. In other words, I feel that the commission ought to act in an advisory capacity while the President is in control of the railroads, and that its advice and suggestions about rates will be of great value.

Now, that applies to interstate rates. As to intrastate rates, I think that the State commissions ought to continue to consider such questions as they rise. Innumerable questions affecting local conditions are coming up from time to time, and they ought to hear them and pass upon them; and so long as their views and judgment do not run counter to the common interest, they will be regarded and accepted just as heretofore.

I had a conference with, I think, about 20 of the representatives of the State commissions recently, and I told them that I thought that they ought to go forward just as usual—and, in fact, the President's proclamation so provides—and hear cases and exercise their powers as they have heretofore done, always, of course, with the understanding that the President has the power to override any decision they may make when he thinks it necessary to do so in the public interest.

The State commissions have jurisdiction over many other questions besides intrastate rates. They have the right to pass upon local questions like the construction of a switch to an industrial plant, sidetracks, and things of that kind.

Mr. MONTAGUE. And crossings?

Mr. McADOO. Yes. I think all those powers ought to be exercised by them as heretofore, subject to the Federal control.

Mr. ESCH. How about the power granting to many commissions the right to issue certificates of convenience and necessity with reference to stock and bond issues?

Mr. McADOO. I think they ought to be permitted to continue that. Of course, I should feel that it was necessary to be consulted about it. During this war, and especially because the Government is very vitally concerned in the expenditure of new capital in the country, we must have as much control of such questions as we possibly can in order to carry forward the Government's own financial operations.

Returning to the rate-making power, so far as State commissions are concerned, as to intrastate rates, suppose that the President had no control over rates during this period of Federal control, and that the Congress of the United States had authorized a guarantee to the carriers. It would be within the powers of the State commissions to alter

rates to such an extent as to enforce deficits upon the Federal Treasury. I do not mean to insinuate that they would abuse that power, or that they would use it for the purpose of creating such deficits, but it would leave in their hands the power to do it, which, if exercised, would in effect be taking money out of the Federal Treasury without any appropriation having been made by Congress. I think that Congress can not place that sort of power in the hands of any State authority or anybody else. There again, however, I think there will be no difficulty about harmonious relations with the various State commissions. They have given me every evidence of a desire to cooperate, and I am quite sure that they will.

This idea expressed by the Director General is carried out in the language of the bill, for in section 11 we find this provision:

Until and except so far as the President shall from time to time otherwise order, the rates, fares, charges, classification, regulations, and practices of carriers under Federal control shall, during the period of Federal control, continue to be and to be determined as hitherto.

It is therefore plain that there is to be no change in the present method of fixing rates, except in exceptional cases and then only when an emergency arises making such course necessary.

Heretofore all rates have been fixed under law on the competitive theory. During the period of the war, while the railroads are under Federal control, it will be necessary, no doubt, in many cases to ignore this basis of arriving at the proper rate, and that line of railroad is to be used by the persons exercising governmental control that can be most effectually utilized.

In making use of this changed method it occurs to me if we are to derive the benefit that was sought by assuming control of the carriers, it will be necessary at times to change without delay some rate, charge, classification, or practice that heretofore prevailed.

I understand that in giving this authority to the President we are granting great power, but these are no ordinary times and it is no ordinary purpose that we are trying to carry out. I believe that it is well understood that we took over the control and management of the railroads for the very reason that there was no one who had the authority to speak for all the roads. Therefore, if we are to make a success of that control, if we are to accomplish what we set out to do, there must be no division of authority, no opportunity for dispute and delay. Necessarily there must be some one head which has the authority to speak the last word on every detail that is involved in this matter.

During the last year we have heard much of the weakness that comes from division of authority; we have heard much of it in connection with the conduct of the war; if we listen to the counsel of those who oppose this provision of the bill, in my judgment we will make the same mistake that has been made so often and defeat the very purpose we set out to accomplish.

When the bill was first introduced it carried no provision fixing a definite time after the conclusion of the war in which the railroads were to be returned to their owners. There are many who still think that no such time should be fixed in the law. I listened carefully to all the arguments before the committee on this subject, and I have come to the conclusion that there should be a limit fixed in the law within which this property is to be turned back to its owner.

By taking this course we make it plain to everyone that this is intended as a war measure.

It is contended that inasmuch as the carriers have been placed under governmental control that this fact should necessarily be taken advantage of to settle all questions agitated by the public concerning the ownership and control of the railroad systems of the country. That the theory upon which they have been operated and controlled should be changed; some assume that the only remedy is Government ownership, and that now is the time to put it into effect; others contend that this will not do, but that we must reverse the policy that we have been following and institute government control, with all opportunity for competition between systems eliminated.

A majority of the Committee on Interstate and Foreign Commerce believe that this is a war measure and that it should be so confined in its scope of operation. They are of the opinion that it is not the proper time for a dispute and that all disagreements, as far as possible, should be eliminated.

They believe that we should all get together and make the present management a success and thereby aid in carrying on the war to a successful issue, and leave these disputed questions to be settled after the war has been won. It is argued by some that under the Constitution we can not hold the roads, under the authority of the act under which they were taken over, for an indefinite period after the close of the war.

I shall not undertake to discuss this question or to hazard an opinion as to its soundness. However, I believe that it will be conceded by everyone that the question at least is open to dis-

pute. If this is correct and no definite time is fixed in the bill for the return of the railroads, does it not follow that as soon as the war is ended all of the owners who are not satisfied with conditions will bring suit to recover possession of their property?

If this should happen, conditions would become unsettled and the value of railroad stocks and securities would be depressed to such an extent as might lead to a panic. The principal argument advanced before the committee for not fixing a time limit in the bill was that the fixing of such a time would disturb the security market and work a great hardship on the people who owned railroad stocks.

I am free to say that I have never been able to appreciate the force of this argument. To undertake the management with a fixed program that all can understand to my mind means stability, while to begin the management with an uncertain and indefinite program and to continue control without letting those interested know what the limit will be means confusion and difficulty. If the roads are to be returned to their owners, I believe that Congress should fix a definite time in which that should be done. To do this now at the very beginning of control will eliminate uncertainty and have tendency to stabilize securities.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. SNOOK. Mr. Chairman, I will ask the gentleman to yield me five minutes more?

Mr. SIMS. I yield five minutes more to the gentleman.

Mr. STEVENSON. Mr. Chairman, will the gentleman yield?

Mr. SNOOK. Yes.

Mr. STEVENSON. I want to ask if on page 12 of the bill that is not provided for, where the bill provides that they shall be subject to all laws and liabilities, whether arising under State or Federal laws?

Mr. SNOOK. I was just coming to that question; and that is a thing that the committee should understand. There was very grave doubt in the minds of some members of the committee whether or not the bill as originally drawn protected the rights of the employees in the event they should receive an injury and bring suit against the company. So an amendment was offered to the original draft of the bill, and I do not have in mind the exact wording, but it was drawn by one of the best lawyers on the committee, and it now carefully and thoroughly protects the employees of the railroads in all the rights they had before the railroads were taken over.

Mr. MASON. May I be permitted to make a suggestion to my colleague in regard to the question of the solicitation of business? Every day I have had complaints coming to my desk from at least one city in the State of Illinois where there are competing lines from shippers that since the Government has taken over the roads that they are unable to get the assistance they formerly had in the matter of routing their freight; in other words, they lack the spirit of accommodation they had before. That is one fact I wanted to lay before the gentleman as a member of the committee.

Mr. SNOOK. I am glad to have the gentleman bring that question out, and this should be brought to the attention of the Director General and the people who have the management of the railroads. I believe it is the wish—I know I have talked with him a little upon the subject—I believe it is the wish of the Director General and the persons having control of these railroads to give efficient service.

Now, I want to say this in conclusion: I got far away from what I started out to say, but I want to conclude as I began, and that is along the line that I have not lost faith yet in the railroads of America. It has been said a great many times in this debate that the railroads have broken down and that is the reason for this governmental control. There are two reasons to my mind for this governmental control, and it is not a fact that the railroads of this country have broken down. I believe they are the best railroads and the best managed railroads in the world. I have traveled a little in our country and upon the railroads in Europe, and I want to say to you it seemed to me like getting back home when I came to America and got on one of our good, old railroad trains in this country, just like getting back home. This thought I want to leave with the committee; I do not know what other men may think, but I want to see the largest field left to the American people for human endeavor that can be left. I do not believe the railroads have broken down. I believe that the reason for taking over these railroads was the cause that has been brought to the attention of Congress very many times, the congestion of freight at the eastern terminals on account of trying to run all the freight of this country over certain routes, and the fact that the Government was necessarily employing all the capital of this country in making loans for the conduct of the war so that the railroad

companies could not have an opportunity to float their securities. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. SNOOK. Mr. Chairman, I ask permission to revise and extend my remarks in the Record.

The CHAIRMAN. The gentleman asks unanimous consent to revise and extend his remarks. Is there objection. [After a pause.] The Chair hears none.

Mr. ESCH. Mr. Chairman, I yield one hour to the gentleman from Michigan [Mr. FORDNEY].

Mr. FORDNEY. Mr. Chairman and gentlemen, I do not like the proposition of the Government taking over the railroads at this time; I think it is a mistake. I want to see this bill amended in some respects, but I will vote for the bill, because I am like the man in the hollow log that had a bear by the tail, that it was not wise to let go at that time. [Laughter.] We have taken over the railroads. We are in the midst of a great war. Consequently we must support the Government in everything it wants that is necessary to carry on this war successfully. I am unalterably opposed to Government ownership of railroads, and the gist of my remarks will be upon that subject.

THE WORLD'S EXPERIENCE IN GOVERNMENT OWNERSHIP OF RAILROADS.

In an article prepared by Richard Hoadley Tingley, in the Santa Fe Magazine, he states:

Of the 76 political organizations that go to make up the independent nations and colonial dependencies of the world, 44 already have declared themselves, as a matter of practical politics, as being in favor of complete or partial nationalization of their railways by taking over and operating some considerable portion of the mileage within their borders. In the balance, 32, all the railroads are still privately owned. Conspicuous in this latter class are the democratic Governments of Great Britain and the United States.

I believe I am correct in stating that among the people of the United States who favor Government ownership of the country's railroads, the socialistic element is strong and predominates.

Martin A. Knapp, chairman of the Interstate Commerce Commission, stated, in 1902:

For the Government of the United States to acquire the 200,000 miles already constructed, undertake to conduct their vast operations by direct agency, and to extend the service with needful rapidity is a project of such colossal import as to incline us to place it quite outside the range of probability.

Some 10 years later, when the railroad mileage had been largely increased in the United States, Franklin K. Lane, also then a member of the Interstate Commerce Commission, said:

No one who has had experience in governmental affairs will be bold enough to say that the Government of the United States could now operate the 250,000 miles of railways with as much satisfaction to the people as the railroads themselves are now being administered.

These were men of experience in railroad matters, and statements made by them should command the attention and respect of thinking men.

I wish to review, briefly, the history of the government-ownership idea by giving comparisons and statistics in the management of the government-owned railroads in the various countries of the world where the same has been and is being tried.

It is probably not very well known by the general public that this country has had quite an extended experience in building, owning, and operating railroads.

During the early days of railroading in the United States the "sovereign State" was considered the only medium strong enough or sufficiently well qualified to cope with such large affairs. Many of the States entered the railroad field and many of them experienced quite heavy losses and great burden by taxation for the maintenance of the roads. However, out of the many hundreds of miles built and operated in the past by the various States not a single mile is now so operated—with the exception of 32 miles in Texas, used as an adjunct to its penitentiary system. This of itself would not, as it appears to me, be a very conclusive argument in favor of Government ownership of railroads.

Many in public as well as in private life have fixed opinions as to the wisdom of Government ownership of railroads; many write upon the subject of Government ownership of railroads.

My attention has been called to an article written by former Gov. Stubbs, of Kansas, published in the Saturday Evening Post of June 6, 1914.

I want to point out certain inaccuracies of the governor's statements in that article.

The Governor attempted to justify Government ownership of railroads. He made comparisons and quoted figures in support of his arguments, many of which were greatly overdrawn and inaccurate. Among other things, the Governor made the following statement:

No railroad system once taken over by the Government has ever been permanently returned to private ownership.

I wish to show how incorrect the governor was in such a statement. In the past many of the States of this country have operated railroads that are now being operated by private corporations, and statistics and history show that in no instance has State operation been successful. I quote from the Railway Library and Statistics, and the latest complete railway statistics are for the year 1916:

The North Carolina Railroad Company was incorporated in that State in 1849, and during the next few years built some 223 miles of line from Goldsboro to Charlotte. The State owned a large majority of the stock, built the road and operated it until 1871, when it was leased to the Richmond & Danville Railroad (now part of the Southern Railway). The State now derives a good yearly income from the stock which it still owns in this road. North Carolina also built and was at one time sole owner of the Western North Carolina Railroad, 185 miles, from Salisbury to the Tennessee line. This road was State owned and operated from 1875 to 1880, when it was sold to a private company and afterward passed into the hands of the Southern Railway, the State having now no interest in the ownership. North Carolina built a third road, from Goldsboro to the coast, 95 miles. This was called The Atlantic & North Carolina Railroad. The State owned (and still owns) two-thirds of the stock of this company and had absolute control of its operation from the time of its completion, about 1856, until 1904, when a 95-year lease was entered into with a private company. This lease shortly afterward became the property of the Norfolk & Southern Railroad, and since has been operated as a part of that system, the State deriving a handsome income from its stock holdings under the lease.

North Carolina presents, perhaps, the most striking example of State ownership and operation that this country affords, both in length of lines operated and length of time as well. At one time the State had more than 500 miles of operation on its hands, and for nearly half a century it operated the 95 miles from Goldsboro to the Atlantic. Since 1904 it has had no interest in these operations other than to draw its interest and dividends. That the experience of this State so far as operation is concerned was unsuccessful nobody attempts to deny. On the other hand, as a result of the retention of ownership while the lines are being operated by experienced private corporations as business enterprises, the State is receiving substantial benefit. The experience of the State of North Carolina in railroad ownership is anything but a satisfaction to that State.

And, further, the experience of the State of Missouri in railroad ownership and operation is rather a sore spot. Missourians do not like to have the subject mentioned. According to C. M. Keys, of the Wall Street Journal, this State had a hand in owning, financing, and operating several of its lines—the Hannibal & St. Joseph, the St. Louis, Iron Mountain, the Cairo & Fulton, and the Pacific Railroad. The resulting net loss was nearly \$25,000,000. High finance in this border State was well understood in those early days. Mark Twain was well advised when he wrote *The Gilded Age*, and Gov. Stubbs, living so near Missouri, should have known about it. All these properties are now prosperous. They form integral parts of big western systems. Missouri made no mistake in selecting the lines it would own and operate, but Missouri did demonstrate, at least to its own satisfaction, that it was unprofitable for a state to become a railroad promoter.

Massachusetts tried railroading. To pierce the Berkshire Mountains with a tunnel was thought to be too expensive a task for private capital. The building of the Hoosac Tunnel, therefore, was undertaken by the State, and it was operated unsuccessfully several years. The property finally passed into the hands of the Boston & Maine Railroad.

Mr. W. F. Allen, secretary of the American Railway Association, is responsible for the statement that the Western & Atlantic Railroad, 137 miles in length, was constructed and operated by the State of Georgia and gradually became "a prolific source of loss and injury to the community that had supplied the funds for its construction." It has been operated under lease since 1870 and is now a part of the Nashville, Chattanooga & St. Louis Railroad, though still owned by the State.

Further, Mr. Allen said, regarding the State ownership in Pennsylvania:

Eighty miles of railway, extending from Philadelphia to Columbia, were built by the State of Pennsylvania and operated unremuneratively by its government several years to the disgust of the people of the State. The road finally was sold to the Pennsylvania Railroad in 1857, and forms part of its original main line.

Seven million five hundred thousand dollars was paid by the Pennsylvania Railroad Co. for this line, which is said to have been at least twice what it was worth, but not more than a quarter of what it had cost the State. W. B. Wilson, historian of the Pennsylvania Railway, says, in referring to this line:

The individual transporter who did not dance when the politician in charge of traffic piped was placed at a great disadvantage. It became a potent factor for corruption and reached such an extent that the transporters who would do certain things for the politicians at elections would have their tolls rebated to an extent that nearly always reached a refund of the entire amount paid. The State debt grew till bankruptcy stared the people in the face.

It is said that this railroad experience cost the State of Pennsylvania upward of \$20,000,000.

Other instances of municipal bodies having taken up, built, and operated railroads might be cited, as in Cincinnati, where the city built and now owns—but has ceased to operate—the Cincinnati Southern Railroad, 338 miles in length; also, as in Texas, where a little railway, 32 miles long, was built and is to this day being operated by the State. This last example is the only case in our entire land where the State at present operates a railroad.

It seems to me, in the instances just cited, there is but little to recommend Government ownership.

The Panama Railroad, 47 miles long, now owned and operated by the Federal Government, is another instance of Government ownership. Some ten years ago the United States acquired this railroad and the steamship company as well, this being necessary to facilitate the construction of the canal. On the average, statistics show, it costs the railroads of this country about \$7,700 per mile operating expenses per year. At Panama, leaving the steamship company out of the calculation, it costs rather more than \$50,000 per mile. A freight rate of almost seven times the United States average is charged and collected by this road. This is Government ownership, though.

CANADA.

And quite in line with my argument that the Government can not operate railroads in this or any other country in the world so successfully or economically as they can be operated by private ownership, I want to call attention to the railroads of Canada as an example. Of the 29,233 miles of railroad in Canada in 1913 a fraction over 6 per cent was owned and operated by the Government—1,768 miles—the larger portion of this being the Intercolonial Railway, which occupies some of the best territory in Canada. While the Canadian Pacific, the Grand Trunk, and the Canadian Northern, all privately owned and operated roads, have been giving good accounts of themselves, this property, owned and operated by the Government, seldom pays its bare operating costs, the deficit being met by a general tax. W. R. Givens, in Moody's Magazine, says that the trouble is "because it lives, moves, and has its being as a political institution."

A telegram from the American Consul at Ottawa, February 9, states as follows:

Miles of railway operated by Dominion, 4,015; taken over from Canadian Northern, not yet Government operated, 9,371; total, 13,386 miles.

Late information is to the effect that the total railway mileage in Canada at the close of 1917 was about 48,000, showing a great increase in mileage constructed in the last four years.

It has been said by advocates of government ownership in this country that such mismanagement would not happen in our country.

There is every evidence, as I shall attempt to show, that Government owned and operated railroads in this country would be the most dangerous political machine ever invented in any country in the world.

Canada, whose people and their customs and habits and conditions are quite similar to those of the people of the United States, has had experience in government ownership of railroads. While the cost of railroad construction in the United States is considerably less than the cost of construction of private-owned roads in Canada, which is shown to be \$65,182 per mile, the cost of construction of Government-owned railroads in Canada is given as \$99,000 per mile. A little later on I will give a complete history of the financial operations of both private and Government-owned railroads in Canada, but wish, in passing, to say for every \$100 of receipts by the Government-owned railroads of Canada they paid out \$102.13, while the private-owned railroads for every \$100 in receipts paid out \$73.94, and it must be remembered this included taxes and interest paid by the private-owned roads which run into the millions of dollars—\$3,049,387, being \$97 tax per mile of road owned. The Government-owned railroads for the year 1915 sustained a loss of \$11,000,000, as is shown by the Bureau of Railway News and Statistics of Chicago, April 12, 1916, Bulletin No. 99, at the same time paying no taxes or interest upon the indebtedness of the roads.

Canada's annual pay roll to employees is below the pay roll of the employees of the United States.

Before the people of the United States, through their representatives in Congress, demand Government ownership of the railroads they should give most careful thought to the success or failure of government-owned roads in other countries where the system has been tried.

Mr. Givens says on the subject of Government ownership: "Each political party when out of office charges that its poor

results are due to the use of the railroads for the political purposes of the party in office." This seems to be true. At any rate, the deplorable results of Government operation of the Intercolonial are too well known to require further comment. This road being of considerable length—about 1,400 miles—and operating under physical conditions so closely analogous to those existing in the United States, would seem to furnish all the object lesson necessary under the circumstances.

FRANCE.

Of all the countries of the world having government ownership of railroads, France shows the most striking example of failure. Statistics show that of something over 30,000 miles of railway in France in 1914 only a little over 5,500 miles were Government owned and operated, most of this mileage being the Western Railway of France, which serves the important western and northern Provinces and seaports and connects them with Paris. This line was taken over from the private company in 1908 and shows an increase in gross receipts, but the operating expenses and accumulated deficit from operation have also increased at an alarming pace. These statistics relate to a time prior to the outbreak of the war. Net earnings seem to be on the toboggan slide, as will be seen from the following table:

Table as shown by French statistics, in millions of francs.

	Gross earnings.	Net earnings.	Deficit.
1908.....	219.6	71.6	27.1
1909.....	219.3	70.0	38.7
1910.....	229.6	57.2	58.4
1911.....	236.1	50.2	71.3
1912.....	244.3	21.9	84.4
1913.....	251.8	26.1	89.9

During this period, while the deficit from operation was piling up, a most deplorable condition existed in the physical operation of the property; fewer and slower passenger trains, irregular service, lack of fidelity to schedule, scarcity of freight cars, impaired roadbed, and other like ailments have affected the property; in other words, the property has become run down at the heel. In commenting on the situation, Paul Leroy Beaulieu, an eminent French economist, said in 1912:

Everyone knows the deplorable result of the management of the company of the West by the State. At the end of three years Government ownership appears to be a public calamity and a financial disaster.

A greater number of accidents occurred because of the run-down condition of the line than was the case on well-equipped railroads.

The total deficit from the operation of Government-owned railroads in France, from 1908 to 1913, was upward of \$70,000,000. Yet it must be remembered this is Government ownership of railroads.

The population of France for each mile of railroad line in 1913 was 1,241, or more than three times that of the United States.

In France, in 1912, there were 25,319 miles of railroad. The average yearly wage per employee was \$212.77, or 68 cents per day, or \$4.08 per week of six days. The freight rate charge averaged 1.37 cents per ton-mile.

It will be remembered that the Government owns a large percentage of the railroads in France, and their financial history is such as would be most discouraging to any nation contemplating Government ownership of railroads.

The operating ratio in France between private-owned and Government-owned railroads is as follows: Private-owned railroads averaged 53.3 per cent, and increased to a maximum of 58.4 per cent in 1912 and 1913; while on Government-owned railroads the increase was from 56.4 per cent to 89.4 per cent.

On the Government-owned roads in France there were so many accidents the staff and the public became so frightened that the express trains on the main lines, already the slowest in France, were decelerated to a timing that had been abandoned as inadequate years before. The service in general was poor. While compensation for accidents under private management amounted to a loss of from four to five hundred thousand dollars per year, under Government ownership in 1913 it amounted to more than \$2,000,000.

The Minister of Public Works of France publicly criticized the State administration as a "frightful fraud," and the Senate passed unanimously a resolution beginning as follows: "The deplorable situation of the State system, the insecurity and irregularity of its workings," and so forth. It is most probable that the French Senate and Minister of Public Works knew what they were talking about.

Paul Leroy Beaulieu gives the reason for the deplorable situation as follows:

In the first place, it is the abuse of formalism and red tape, with all the delays which follow, and which are directly in conflict with commercial needs; in the second place, it is lack of stability, the directors and all of the chiefs of the service change at the will of the ministers, whilst in private companies the higher personnel is maintained a long time fulfilling the same functions; next, it is the political influence which enters into the choice and advancement of the personnel; it is, lastly, lack of discipline, which also results from political influence at work.

He further states:

As for formalism and red tape, on the eve of the handing over of the railroads to the State, there were 1,525 employees in the central office. Within three years thereafter the number had increased to 2,587. The single service of the accounting general was increased by 70 persons directly after the purchase by the State, and this was due largely to political pressure and partly to excessive red tape. For example, in the Caen division in the preparation of the pay sheets, which under private ownership took 9 persons 3 days, or a total of 27 days' work, under the State administration took 12 persons six days, or a total of 72 days' work. Proportionate increases in the number of employees were made all along the line, too numerous here for me to mention. Salaried officers, 33 in number under private ownership, 99 persons under Government ownership. Increased wages to employees, increased number of employees, and increased freight and passenger charges were the results of Government ownership of railroads, which is true all over the world on Government-owned roads.

But this is Government ownership of railroads.

Under private ownership the question of fast trains is one to which careful consideration has been given all over the world. Great Britain in 1888 had greatly increased the speed of her express trains, and America promptly followed with the Empire State Express and the Atlantic City flyers. The French companies took up the challenge and put on trains from Paris to Calais and to the Belgian and Spanish frontiers and held their own with anything operating in England or America.

I have just shown that under State ownership France reduced the speed of her passenger trains because of the run-down condition of the Government-owned roads, there being no money in France to keep in good condition the roads and equipment. The only way to obtain money for the same would be by direct taxation on the people or increased freight and passenger rates. But this is Government ownership of railroads.

I wish to give here a comparison of the wages and freight rates and operating costs of railroads in several of the principal countries of the world, beginning with the United Kingdom. The latest reliable statistics in Europe obtainable are for the year 1913, and in fact in some instances prior to that time.

UNITED KINGDOM.

In 1913 the number of miles of railroad in the United Kingdom was 23,601. The average yearly pay per employee was \$364.17, and figured on the basis of 313 working days per year it will be seen that the wages averaged \$1.16 per day, or \$6.96 per week of six days. The freight charge in the United Kingdom was 2.23 cents per ton-mile.

GERMANY.

In Germany for the year 1913 the number of miles of railroad was 39,513, of which 36,538 were State owned. The average yearly pay was \$409 per employee, or \$1.30 per day, or \$7.80 per week of six days. The freight charge was 1.37 cents per ton-mile.

The population of Germany in 1913 was 66,716,000. The area of Germany is 208,780 square miles. The population per square mile was 320 people, while that of the United States is but 30 people. The population of Germany was 1,698 for each mile of railroad, while that of the United States is but 381.

It will be borne in mind that the freight rates of Germany are double those of the United States, with a daily wage scale but one-half that of the United States, and with a population in Germany per mile of line nearly four times that of the United States it can readily be seen that if the population of the United States per mile of railroad line was equal to that of Germany the freight hauled by our railroads would be equivalent to four times that of the tonnage hauled at present. Therefore the percentage of cost per ton-mile would undoubtedly be less than at present.

RUSSIA.

Russia in 1910 had 41,612 miles of railroad. Her annual pay roll for employees was \$211, or 67 cents per day, or \$4.02 per week of six days. Her freight rate charge was 0.94 cent per ton-mile.

Russia's population per mile of railroad line in 1913 was 3,380, yet her freight charge per ton-mile was far in excess of ours.

SWITZERLAND.

Switzerland in 1915 had 3,224 miles of railroad. Her annual wage per man was \$387, or \$1.23 per day or \$7.38 per week of six days. Her freight rate charge was 2.64 cents per ton-mile, and in spite of this enormous freight rate charge her Government owned and operated railroads had a deficit of \$2,500,000.

JAPAN.

Japan in 1915, with 5,585 miles, largely narrow-gauge roads, Government owned but capitalized at \$25,000 per mile more than the capitalization of the railroads of the United States—\$88.104 per mile, as against a little less than \$63,000 per mile in this country—has an annual wage scale of \$115.16 per year, or 37 cents per day or \$2.22 per week of six days. Her freight rate is 0.85 cent per ton-mile, or 20 per cent above that of the United States. She has a terminal charge of 11 cents additional.

Under private ownership all over the world there is jealousy and strife for more and better equipment. Governments are slow to adopt modern methods and equipment. One of the best proofs of this assertion is shown by the wonderful modern equipments of the Great Northern, Northern Pacific, and the St. Paul & Puget Sound Railways, spanning the prairies and tunneling the Rocky and Cascade Mountains, the last-named road in the last two years having equipped 445 miles of their main lines through Montana and Idaho with electricity, the most modern improvements, finest roadbeds, and most powerful electrical engines to be found in the world.

I have traveled over these roads many times within the last few years and twice during the year 1917.

The power with which the monster engines are operated is taken from the flow of water heretofore gone to waste in these great mountain States—a great saving of fuel to the world, so badly needed at this time and so strongly recommended by the Administration for conservation. Competition is the life of trade.

The improvement and extent of government-owned railroads throughout the world is moved by political influence largely, and does not always accommodate the greatest number of the people. Branch lines are usually built by political influence.

At this point I wish to say railroad construction in many parts of the country by government ownership, as stated before, has proven to be unwise, and I call attention to the Government-owned-railroad construction of Australia.

It has been stated by eminent authority that railroads in Australia undoubtedly have been built to backward districts where private ownership never would have touched. Some 46 miles of branch lines were built in Australia, and a report of the Victorian State Railways of 1907 states that they were constructed at a cost of \$1,833,000, and that they were closed to traffic at various dates between 1898 and 1904, and later abandoned altogether, because gross receipts failed to cover operating expenses. This is government ownership though.

There is a vast difference between the management of railroads by the power of state where a monarchical form of government prevails and that of a country having a republican form of government. In a monarchy the heads of government remain in office quite indefinitely and direct the management of the state-owned railroads, while in a republic the chiefs may change as often as the head of the government—and that does not change often enough to suit some of us. [Laughter.]

For instance, the King of Prussia is really the head of the railroads, as he is head of the army and navy, and this power does not change during the life of the King. In such cases political influence may not be so great as in a country with a republican form of government.

Lack of discipline in the management of great corporations such as our railroads is more likely to be found where political influence controls than where private ownership prevails.

THE UNITED STATES.

The railroads of the United States comprise 250,233 miles of main lines for the year 1916—there were 387,000 miles of railroad in the United States, which includes double, treble, and quadruple tracks, as well as switches. On the 250,233 miles of main lines there were employed more than one and three-quarter millions of men. The annual pay roll for the year 1916—that of 1917 being not yet available—to employees averaged \$887.37 per year, or \$2.83 per day, or \$16.98 per week of six days. The freight-rate charge was 0.714 of a cent per ton-mile. In other words, the wage scale is the highest of that paid to railroad employees of any country in the world and the freight rate the lowest.

At the same time it must not be forgotten that, in addition to the cost of operating expenses, our railroads paid heavy taxes; which is not true of Government-owned roads. The Government-owned railroads of all the countries of the world are exempt from taxes, while the taxes paid by the railroads of the United States, as shown by a report of the Bureau of Railway Economics, published in the city of Washington, D. C., Miscellaneous Series No. 25, page 17, paid in the year 1914, per mile operated, \$572, or a total of \$143,133,276, on 250,233 miles of line.

It must be borne in mind that in the statistical abstracts of the various countries of the world in which are shown the operating expenses of the Government-owned roads, this item of taxes in this country does not enter into the operating costs; therefore the Government-owned roads have that advantage in their reports of operating costs over the reports of privately owned roads. The comparisons are unfair and unjust to private ownership unless this item be taken into consideration.

Again, let me say that in Germany, where 95 per cent of all the railroads are government owned and operated, the wage scale is but one-half that of the United States and the freight rate double that paid by shippers of the United States.

The idea of Government ownership catches many of our people; has become a fad. But before being put into operation the most serious thought should be given to the question.

I make this speech upon Government ownership for the reason that the bill now before the Congress, and especially the one presented by the Administration, was sugar-coated from top to bottom with Government ownership.

It can be shown in every instance, by comparisons with other countries, that Government-owned and operated railroads have failed to show good results, and invariably the people have been called upon, by taxation, to meet deficits in the operation of the roads, while, on the other hand, freight rates have been greatly increased over the rates prevailing under private ownership.

Should the railroad property of the United States be taken over by the Government, it must be remembered that about one-eighth of all the taxable property of the country will be stricken from the tax roll, and the people owning the remainder of the taxable property will pay increased taxes to meet the ordinary running expenses of the municipal, county, State and National affairs, and will pay some \$20,000,000,000 for railroads as well. At a time when this Government has gone, and is still going, into debt to an extent undreamed of heretofore, some serious thought should be given to this important move, namely, Government ownership of railroads.

The idea of Government ownership of railroads is socialistic in the extreme; and for 2,000 years the socialistic ideas throughout the world have very largely failed.

BELGIUM.

The Railway Library and Statistics of 1914, page 210, states:

In Belgium, with its 2,684 miles of State-owned and its 2,000 miles of privately owned lines, the operating ratio of the former was 65 per cent, while that of the latter was 45 per cent. Allowing for interest on the investment, the deficit of the State-owned lines, it is estimated by E. A. Pratt, would amount to \$14,000,000 yearly.

On page 449 of the Railway Library these statistics are referred to as being for the last year reported, 1912, and gives the cost of construction per mile of the Government-owned railroads in Belgium as \$192,000. It gives the freight rate per ton-mile as 1.13 cents. Railway employees received in wages \$250.20 per year, or \$4.81 per week. The ratio of expenses to earnings was 69.63 per cent, while in Holland the ratio of expenses, compared with earnings, was 85.33 per cent, both of which are excessively high.

In a recent writing by Col. Ed. F. Browne, entitled "Socialism or Empire a Danger," is found the following language, in chapter 1, page 7:

THE OBJECTS DESIRED BY THE FOUNDERS OF THE UNION.

Separation from England, the result of unequal and unjust taxation, business restriction and regulation, and undue investigation of the private business affairs of citizens.

Instructions of the delegates sent to the Continental Congress all indicate business unrest.

War declared July 6, 1775, over these business conditions.

The business freedom demanded by the Colonies not granted in a monarchy or empire.

Refusal of Parliament to consider requests ended in political freedom being declared July 4, 1776, one year after the war commenced.

An effort made to establish a government giving private incentive freedom from Government control.

Such, Mr. Browne states, was the intention of our forefathers who fought and suffered so much privation for the freedom of our country. If this be true, those who would have Government ownership are certainly drifting far afield from the intention of our forefathers.

That the ownership or operation of railroads by the Government would be bad because of the political influence I believe is borne out by the facts as they can be presented.

It will be remembered that in general elections the plurality given to a candidate for President for many years past has reached from about 7,000 to 500,000 votes, and when it is considered that Government ownership of railroads, telephones, telegraphs, and water and other transportation lines will bring political pressure to bear on practically the entire number of men on the Government pay roll it is time to stop and think.

Last year the employees, civil service, telephone, telegraph, railway (both steam and electric), water transportation, and

express companies, numbered about 3,500,000. Of this number about 500,000 were under civil service, 225,000 were employed by the telephone and telegraph companies, 200,000 by the water-transportation companies, and 1,950,000 by the railroad companies.

It will be seen that the majority of these people were employed by the great corporations of the country that will come under Government control if the people decide upon Government ownership or Government control and operation of the railroads.

Does any man doubt, if these employees were under the control of the Government, that great pressure would be brought to bear upon the Government officials for increased wages and fewer hours for a day's work, and that weak politicians in times of campaign excitement (as was the case in the recent past) would yield to pressure and thus cement together the people making such demands, in the support of a political party, and then make the general public pay the bill, either by direct taxation or increased rates upon the railroads?

No such political power should be granted to any political party or any set of individuals in a political party.

This is a question of the greatest importance to the people of this country and one worthy of most careful thought.

The condition of the railroads of this country right now is critical. The Interstate Commerce Commission has fixed the maximum rate of freight the railroads may collect. A political party in Congress has fixed the minimum-wage scale for a certain class of railway employees, which has greatly increased the operating costs of the railroads. The Interstate Commerce Commission has declined (and stands like a stone wall) to grant the requests of the railroads for increased freight rates sufficient to meet the increased outlay of the companies. And the result is that more miles of railway are in the hands of receivers than ever before, and others are on the brink of bankruptcy. They have no money with which to add necessary improvements of rolling stock or terminals, and the result is, as is now well known, that the railroads at the present time are unable to handle the business offered. To me it appears that the Interstate Commerce Commission and the Congress of the United States for the past ten years have not dealt fairly with capital invested in the railroads of our country, and some relief must be given or railroad securities will go to the "dum dum bowwows."

At the close of the calendar year 1917, as shown by the Railway Age of January 4, 1918, there were in the hands of receivers 17,773 miles of main-line railroads, a fraction over 7 per cent of the total mileage of the United States, which is an exceptionally high percentage of the total, financially embarrassed. To this must be added the Denver & Rio Grande Railroad, which road went into receiver's hands January 26—2,580 miles, or a total of 20,353 miles. The estimated value of these roads is shown by the Railway Library to be about \$60,000 per mile, or more than a total of \$1,221,000,000.

This is conclusive evidence that at this time the laws of the country are not aiding the railroads but are detrimental to their success.

In fact in this very bill is contemplated an appropriation by the Government of the United States of \$500,000,000, undoubtedly to be followed by greatly increased appropriations, for the purpose of adding to the railroads needed rolling stock, terminals, and all kinds of equipment and improvements to properly handle the business of the country. And at the same time there is pending before this House another bill authorizing the appropriation of \$500,000,000 and the creation of a corporation, the purpose of which and the use of which money by that corporation is chiefly to loan money to the railroads of the country that are unable to borrow money from the banks and trust companies, because of the fact that railroad securities are not desirable in the money markets.

In railroad legislation in the past 10 years the pendulum has swung too far against the railroads, and must swing back or bankruptcy must follow and the general public pay the bill.

Control of business by Government is socialistic agitation or executive ambition. Careless legislation has already given greater executive control than has been intended.

The greatest danger to a Republic is hasty, hysterical action on the part of the people, and especially on the part of Congress. Franklin said:

Should we give executive power to the President that we would fear in others' hands?

Control of our great industries makes our executive department altogether too dominant a power, and threatens the very foundation of our good Government. This Government-control hysteria has gone so far to the extreme that there is a bill now pending before the House of Representatives for the taking over of the street railways of this city. Who would dream of such extravagant notions!

While it is claimed that the railroads of Germany come nearer being a success in the hands of the Government than do the railroads of any other country in the world Government controlled and operated, it must be conceded that in the cost of operation on these roads no taxes are paid to local, State, or General Government. The Government of Germany operates her railroads in a different manner, in some respects, to that of any other Government of the world. For instance, the German railroads are used as a tariff wall. A cheaper freight rate is given on goods manufactured for export, shipped from an interior town in Germany to a seaport, than is given on the same goods between the two points of shipments which are to be consumed in Germany, thus encouraging exports in both manufactured and agricultural products. While, on the other hand, practically a double freight rate is charged from a seaport town in Germany to a point interior on imported goods as against domestic goods shipped between the same two points. This, together with Germany's tariff laws, operates as a very high protective tariff.

AUSTRIA.

Austria in 1913 had 14,185 miles of railroad. Her annual wage scale was \$322, or \$1.03 per day, or \$6.18 per week of six days. Her annual deficit on Government-owned roads was about \$25,000,000.

In a historical sketch of Government ownership of railroads in foreign countries, by W. M. Ackworth, published at Washington, D. C., in May, 1917, on page 17, this statement will be found:

They are all alike in the fact that political, and especially military, reasons compelled the State to make railways which private enterprise was not prepared to undertake. They are alike, too, in the fact that the tendency has swayed back and forth as between State and private ownership. Austria at one time sold to private companies a number of railways that had been built by the State. Nowadays, having bought most of them back again, it owns 80 per cent of the total. One incident of the transfer deserves to be related. The Kaiser Ferdinand Nordbahn was an old and very rich company. Its dividends for the previous five years had averaged over 12 per cent. It was taken over in 1906. In 1910 the president of the Austrian Chamber of Deputies described the result as follows: "We have always been in favor of the State taking over the railways, but if we had been able to foresee the results of the management I assure you we would have hesitated a little longer. We are still in favor of the principle, but it does seem to us that our Government has performed a remarkable feat when it has succeeded in creating a deficit on the Northern Railway. The Government have enlisted an army of new employees; they have gone much too far in the matter of reduction of hours of labor; instead of commercial management they have appointed lawyers to posts that require business men or experts; they have established an entirely unpracticable bureaucracy. At the present moment we are face to face with a deficit of \$25,000,000. There would be no deficit at all if the return from our railways were that which it ought to be. I regret that absolute imbecility has characterized the taking over of our service."

This statement was made by high authority in Austria and ought to have some weight in the argument against Government ownership of railroads. But this is Government ownership.

STATE OWNERSHIP FAILED IN SOUTH AMERICA.

After a record of deficits, politics, inefficiency, bad service, and bad management, most of the lines in Brazil, Chile, Peru, and Argentina have been leased to private companies. All the larger Republics of South America at some time have tried Government ownership of railways. Most of them have abandoned the policy as an absolute failure.

The private-owned roads of South America for every \$100 of gross receipts have spent from \$31 to as high as \$68, while the Government-owned roads for every \$100 of gross receipts have spent from \$121 to \$164. This contrast between the cost of operation of private-owned and Government-owned roads in these southern Republics is exceedingly striking, and should be taken as an evidence of the inability of a government, because of the political influence, to successfully operate railroads.

Nearly every country in the world within the last decade has materially increased the freight rates on its railroads, and especially on government-owned roads, while the Government of the United States, through the control of the Interstate Commerce Commission over rate fixing in this country, has permitted the railroads to make little or no advance in their freight and passenger rates, though the cost of operating expenses, chiefly due to increased wages to their employees, has greatly increased. The result is that the railroads of the United States, because of adverse railroad legislation by our Federal Government, are run down and do not have sufficient equipment, freight cars, and locomotives to handle the business of the country.

I could give in detail the cost of operation and the total receipts of practically every country in the world, and it would show greater cost in operation on government-owned roads than on private-owned roads. This might add to the information already given, but the time granted me for this speech will not permit. I wish, however, to say that I have been unable to find,

after long and diligent search, a single instance of railroad, government owned, controlled, and operated, that equaled, in efficiency and economy and the service rendered, that of private-owned railroads.

The Civil War was one of the most terrible of all wars in the history of the world.

When it occurred there were 36,000 miles of railroad in this country. Our Government, during its four years' duration, took control of 2,100 miles, about 6 per cent of the total mileage.

We declared war on Germany in April, 1917, and no railroad in the United States as yet has declined to comply with any or all requests or orders of the Government. Yet in less than nine months' time our Government has taken over all the railroads.

Several questions are involved:

First. What is its significance?

Second. What will be the effect financially?

Third. What will be the effect on efficiency of transportation?

Fourth. What will it cost the taxpayers?

Fifth. What will it cost the people to let go?

That the railroads have not been overly prosperous for the past three years is shown by their net receipts during that time, which were as follows.

Net earnings on investments:

	Per cent.
1915-----	4.09
1916-----	5.80
1917-----	5.72
Average-----	5.20

Not a high rate of income on invested capital. Not sufficiently high to attract money.

Where is all this money coming from that is being called for by the Government for all these enterprises? There was \$50,000,000 asked for the other day for building houses in shipyards; another, of \$100,000,000, asked for some other purpose. When thinking this over, there occurred to me one of the finest illustrations in the world as to where this money is coming from. It reminds me of an old darkey that was sick and about to die, who sent for his minister to write his will. He said to the minister, "Put down \$250 for my beloved daughter." And the minister wrote it down. "Now, put down \$350 for the church." The minister said to the family, "Ain't it wonderful how this man retains his consciousness to de last?" He then turned to the minister and said, "Now, put down \$1,000 for my good wife. I came mighty near forgetting dat woman." The minister said, "Look here, Brudder Jones, where is all this money coming from?" "Dat is none of your business where it's coming from. Put down what I tells you and den let 'em find it." [Laughter.]

The Government is going to find its money somewhere, and the people will pay the bill.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FORDNEY. I would thank the gentleman if he would yield me 10 minutes more. I do not like to keep you so late, but I have a little more to say that is important, and I will conclude in half that time if I can.

Mr. ESCH. I yield to the gentleman 10 minutes.

Mr. FORDNEY. I thank the gentleman, and I will try to conclude in less time than 10 minutes.

And in closing I want to say, gentlemen, that our Secretary of the Treasury, a gentleman for whom I have the highest esteem, has now had imposed upon him not only the duties of the Secretary of the Treasury, but he is chairman of the Federal Reserve Board. It seems to me that there is sufficient responsibility there to employ one man's entire time. Again, he is made Director General of the railroads of the country; and, again, he is to be made chairman of this great corporation which is to loan not only to the railroads but to all the industries of this country money that under existing law the Federal reserve banks now can not loan, not having authority of law. I presume I will vote for all those bills, but I fear the responsibility placed upon the Secretary of the Treasury by being at the head of those four great institutions to handle the governmental affairs of this country will result in one of two things—either an overworked Secretary of the Treasury or omission of duty.

And I will say, gentlemen, there must be some end to all this expenditure of money by this great Government. And we should hesitate when we are revolving in our minds the question of taking over the railroads of this country to be Government owned and Government operated. No such responsibility has ever been placed upon any people on the face of the earth; and in every instance—and I defy successful contradiction—where State or Government owned or controlled railroads have been tried it has proven a failure and will prove a failure here, if tried, by the Government of the United States.

I thank you, gentlemen. [Applause.]

Mr. SIMS. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and Mr. JOHNSON of Kentucky having assumed the chair as Speaker pro tempore, Mr. RAINEY, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 9685) to provide for the operation of transportation systems while under Federal control, for just compensation of their owners, and for other purposes, and had come to no resolution thereon.

BELIEF OF MAIL CONTRACTOR.

Mr. BORLAND. Mr. Speaker, I ask unanimous consent for the present consideration of the bill S. 3689.

The SPEAKER pro tempore. The gentleman from Missouri asks unanimous consent for the present consideration of the bill S. 3689. Is there objection?

Mr. SIMS. Mr. Speaker, I move that the House do now adjourn.

Mr. RAINEY. Will the gentleman withhold that?

Mr. SIMS. Yes.

LEAVE TO ADDRESS THE HOUSE.

Mr. RAINEY. Mr. Speaker, I ask unanimous consent that on Monday next, immediately after the reading of the Journal and disposition of matters on the Speaker's table, I be permitted to address the House for 30 minutes on the subject of the fuel-conservation order.

The SPEAKER pro tempore. The gentleman from Illinois asks unanimous consent that on next Monday, immediately after the reading of the Journal and disposition of business on the Speaker's table, he be permitted to address the House for 30 minutes. Is there objection?

Mr. ESCH. This may not be concluded by Saturday night.

Mr. RAINEY. In that event, at the conclusion of the bill.

Mr. ESCH. I have no objection to that.

The SPEAKER pro tempore. Is there objection? [After a pause.] The Chair hears none.

CHOCTAW INDIANS OF MISSISSIPPI.

Mr. VENABLE. Mr. Speaker, I ask unanimous consent that the bill H. R. 9961, which was referred through an error to the Committee on Appropriations be rereferred to the Committee on Indian Affairs.

The SPEAKER pro tempore. The gentleman from Mississippi asks unanimous consent that the bill H. R. 9961 be rereferred to the Committee on Indian Affairs. The clerk at the Speaker's table says that reference was made by mistake. Is there objection?

There was no objection.

Mr. SIMS. Mr. Speaker, I feel that I will have to move to adjourn.

BELIEF OF MAIL CONTRACTOR.

Mr. BORLAND. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill S. 3689.

Mr. SLAYDEN. How much time is it going to take?

Mr. BORLAND. It ought not to take any time at all.

Mr. SLAYDEN. What is it?

Mr. BORLAND. It is a Senate bill, by which the Postmaster General wants to adjust a mail contract. It has passed the Senate and has been before the House committee and was favorably reported back, and the chairman of the committee, the gentleman from Tennessee [Mr. Moon] has tried to get it up several times.

Mr. FORDNEY. I trust the gentleman will not offer that, as I will be obliged to object.

Mr. BORLAND. Very well. I will withdraw it.

ADJOURNMENT.

Mr. SIMS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 5 minutes p. m.) the House adjourned until to-morrow, Wednesday, February 20, 1918, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, a letter from the Secretary of the Treasury, transmitting a report showing the number of documents received and distributed by the Treasury Department during the calendar year ended December 31, 1917 (H. Doc. No. 952), was taken from the Speaker's table, referred to the Committee on Expenditures in the Treasury Department, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. DENT, from the Committee on Military Affairs, to which was referred the bill (H. R. 9898) to establish in the Coast Artillery Corps of the Regular Army an Army mine-planter service, reported the same without amendment, accompanied by a report (No. 322), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. ANTHONY, from the Committee on Military Affairs, to which was referred the bill (H. R. 9902) to amend section 8 of an act entitled "An act to authorize the President to increase temporarily the Military Establishment of the United States," approved May 18, 1917, reported the same without amendment, accompanied by a report (No. 323), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. QUIN, from the Committee on Military Affairs, to which was referred the bill (H. R. 9903) to provide for restoration to their former grades of enlisted men discharged to accept commissions, and for other purposes, reported the same without amendment, accompanied by a report (No. 324), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. CALDWELL, from the Committee on Military Affairs, to which was referred the bill (H. R. 1873) for the relief of Thomas Campbell, reported the same with amendment, accompanied by a report (No. 320), which said bill and report were referred to the Private Calendar.

Mr. SHERWOOD, from the Committee on Invalid Pensions, to which was referred the bill (H. R. 10027) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war, reported the same without amendment, accompanied by a report (No. 321), which said bill and report were referred to the Private Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 9953) granting a pension to John C. Thompson; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 8019) granting a pension to Christ Clausen; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. COOPER of Ohio: A bill (H. R. 10021) granting the consent of Congress to the county commissioners of Trumbull County, Ohio, to construct, operate, and maintain a bridge and approaches thereto across the Mahoning River in the State of Ohio; to the Committee on Interstate and Foreign Commerce.

By Mr. CLARK of Florida: A bill (H. R. 10022) authorizing the Secretary of the Treasury to purchase the site and building now under construction thereon, known as the Arlington Hotel property; to the Committee on Public Buildings and Grounds.

By Mr. DAVIDSON: A bill (H. R. 10023) providing for the sale and disposal of public lands within the area heretofore surveyed as Tenderfoot Lake, State of Wisconsin; to the Committee on the Public Lands.

By Mr. DENTON: A bill (H. R. 10024) to authorize the coinage of 2-cent pieces, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. VOLSTEAD: A bill (H. R. 10025) to declare certain alien children naturalized citizens of the United States; to the Committee on Immigration and Naturalization.

Also, a bill (H. R. 10026) to amend section 853 of the Revised Statutes of the United States; to the Committee on the Judiciary.

By Mr. SHERWOOD: A bill (H. R. 10027) granting pensions and increase of pensions to certain soldiers and sailors of the

Civil War and certain widows and dependent children of soldiers and sailors of said war; to the Committee of the Whole House.

By Mr. CHARLES B. SMITH: A bill (H. R. 10028) providing for the registration of designs; to the Committee on Patents.

By Mr. MILLER of Washington: A bill (H. R. 10029) authorizing the Indian tribes and individual Indians, or any of them, residing in the State of Washington and west of the summit of the Cascade Mountains, to submit to the Court of Claims certain claims growing out of treaties and otherwise; to the Committee on Indian Affairs.

By Mr. SLAYDEN: Joint resolution (H. J. Res. 248) authorizing the readmission to the United States of certain aliens who have been conscripted or have volunteered for service with the military forces of the United States or allied forces; to the Committee on Immigration and Naturalization.

By Mr. SHALLENBERGER: Joint resolution (H. J. Res. 249) for the appointment of three members of the Board of Managers of the National Home for Disabled Volunteer Soldiers; to the Committee on Military Affairs.

By Mr. HICKS: Resolution (H. Res. 253) for the procurement of a service flag to designate the Members of the House enlisted in the armed forces of the United States; to the Committee on Accounts.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND: A bill (H. R. 10030) granting an increase of pension to Samuel J. Vaughn; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10031) granting an increase of pension to E. L. Gilley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10032) granting an increase of pension to Ephraim Whitson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10033) granting a pension to Sophena S. Bohley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10034) granting a pension to Miner Howard; to the Committee on Pensions.

Also, a bill (H. R. 10035) granting a pension to Allen Wright; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10036) for the relief of the heirs, assigns, and legal representatives of William Watson; to the Committee on Claims.

By Mr. COPLEY: A bill (H. R. 10037) granting an increase of pension to Anthony O'Grady; to the Committee on Invalid Pensions.

By Mr. DECKER: A bill (H. R. 10038) granting an increase of pension to Augustus McClaffin; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10039) granting an increase of pension to James M. Wilson, 2d; to the Committee on Invalid Pensions.

By Mr. ELLIOTT: A bill (H. R. 10040) granting an increase of pension to David W. Berry; to the Committee on Invalid Pensions.

By Mr. FOCHT: A bill (H. R. 10041) granting a pension to Alice Hamilton; to the Committee on Invalid Pensions.

By Mr. HAMILTON of New York: A bill (H. R. 10042) granting an increase of pension to James Stapleton; to the Committee on Pensions.

By Mr. JOHNSON of Washington: A bill (H. R. 10043) granting a pension to John Gibbons; to the Committee on Invalid Pensions.

By Mr. KEARNS: A bill (H. R. 10044) for the relief of Alice Linn Edwards; to the Committee on Claims.

By Mr. KRAUS: A bill (H. R. 10045) granting a pension to Jonas Bolen, alias James Bolen; to the Committee on Pensions.

By Mr. McCLINTIC: A bill (H. R. 10046) granting an increase of pension to William Tomlinson; to the Committee on Invalid Pensions.

By Mr. NEELY: A bill (H. R. 10047) granting an increase of pension to William Tomlinson; to the Committee on Invalid Pensions.

By Mr. NOLAN: A bill (H. R. 10048) granting a pension to John Haight; to the Committee on Invalid Pensions.

By Mr. REED: A bill (H. R. 10049) granting a pension to Earl W. Newton; to the Committee on Pensions.

Also, a bill (H. R. 10050) granting a pension to Arzanna Nesbitt; to the Committee on Invalid Pensions.

By Mr. SLEMP: A bill (H. R. 10051) granting a pension to Harry L. Frizzell; to the Committee on Pensions.

Also, a bill (H. R. 10052) granting a pension to William O. Peck; to the Committee on Pensions.

By Mr. SNYDER: A bill (H. R. 10053) granting an increase of pension to William J. McCabe; to the Committee on Pensions.

By Mr. STEPHENS of Nebraska: A bill (H. R. 10054) granting an increase of pension to George W. Strayer; to the Committee on Pensions.

By Mr. STRONG: A bill (H. R. 10055) granting an increase of pension to Thomas J. Morris; to the Committee on Invalid Pensions.

By Mr. TEMPLE: A bill (H. R. 10056) granting an increase of pension to Henry F. Sager; to the Committee on Invalid Pensions.

By Mr. TEMPLETON: A bill (H. R. 10057) granting an increase of pension to Stephen H. Leonard; to the Committee on Invalid Pensions.

By Mr. TILLMAN: A bill (H. R. 10058) granting an increase of pension to Nelson J. Rice; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10059) granting a pension to Missouri Ruth Justice; to the Committee on Invalid Pensions.

By Mr. VOIGT: A bill (H. R. 10060) granting an increase of pension to Albert Wentink; to the Committee on Invalid Pensions.

By Mr. VOLSTEAD: A bill (H. R. 10061) granting an increase of pension to Bennett M. Tracy; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10062) granting a pension to John F. Mossberg; to the Committee on Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By the SPEAKER (by request): Memorial of the United Mine Workers of America, indorsing Senate bill 2854; to the Committee on Immigration and Naturalization.

Also (by request), memorial of the various organizations of railroad employees, asking Congress not to fix a certain time when the railroads of the country shall be turned back to their owners; to the Committee on Interstate and Foreign Commerce.

Also (by request), resolution of the Farmers' Cooperative Grain Dealers' Association of Iowa, asking that the Interstate Commerce Commission be allowed to retain its powers in rate hearings and regulations, and asking that definite dividends be not assured the stockholders of the railroads; to the Committee on Interstate and Foreign Commerce.

Also (by request), memorial of the West Side Protestant Churches, Waterloo, Iowa, favoring an amendment to the Constitution prohibiting polygamy and polygamous cohabitation; to the Committee on the Judiciary.

Also (by request), petition of Mr. and Mrs. L. D. Fulkerson and 26 other citizens of Defiance, Mo., urging the repeal of the zone system for second-class postage; to the Committee on Ways and Means.

By Mr. BLAND: Evidence in the case of Mrs. Mary A. Bechtel, guardian of Sophena S. Bohley, child of William Bohley; to the Committee on Invalid Pensions.

Also, evidence in the case of Allen Wright; to the Committee on Invalid Pensions.

Also, evidence in the case of E. L. Gilley; to the Committee on Invalid Pensions.

Also, evidence in the case of Ephraim Whitson; to the Committee on Invalid Pensions.

Also, evidence in the case of Samuel J. Vaughn; to the Committee on Invalid Pensions.

Also, evidence in the case of Miner Howard; to the Committee on Pensions.

By Mr. FULLER of Illinois: Petitions of the Thursday Club of Bowie, Tex.; the Fortnightly Club of Sharon, Mass.; the Community Association of Crawfordsville, Ind.; the Woman's Missionary Society of the United Presbyterian Church of Fort Morgan, Colo.; the Century Club of Wichita Falls, Tex.; the Romeo Monday Club, of Romeo, Mich.; the Minneapolis Branch, Woman's Foreign Missionary Society of the Methodist Episcopal Church; the Sorosis Club of St. Peter, Minn.; the Business Men's League of Hot Springs, Ark.; the Current Events Club (federated), of Madison, Ind.; the Corning Clionian Circle, of Corning, N. Y.; the Woman's Club of Racine, Wis.; the Woman's Club of Beaver Dam, Wis.; the Penelopean Club, Cadillac, Mich.; and the Lakeside Club, of Manistee, Mich., protesting against the postal increase on periodicals, as contained in the war-revenue act, and demanding the repeal of such increased rates; to the Committee on Ways and Means.

By Mr. HILLIARD: Memorial of the Pueblo Trades and Labor Assembly, indorsing House bill 1654, granting an increase of pay to post-office clerks and letter carriers: to the Committee on the Post Office and Post Roads.

By Mr. JAMES: Resolutions of the Croatians and Slovenians of the copper country, Michigan, at a mass meeting held at Calumet, Mich., urging a Slovenian republic; to the Committee on Foreign Affairs.

By Mr. MILLER of Minnesota: Resolution of a meeting held at International Falls, Minn., expressing their adherence to the letter and spirit of the fuel order and suggesting that enemy aliens be required to cut wood on days when industries are idle; to the Committee on Agriculture.

Also, memorial of the Bohemian National Alliance, urging the formation of a Czecho-Slovak state; to the Committee on Foreign Affairs.

By Mr. MOORE of Pennsylvania: Resolution of the city commission of St. Augustine, Fla., urging Government improvement of the Florida Coast Line Canal; to the Committee on Rivers and Harbors.

By Mr. TEMPLE: Papers to accompany House bill 9891; to the Committee on Invalid Pensions.

By Mr. YOUNG of North Dakota: Petition of David A. Fairweather and 37 other rural mail carriers, of North Dakota, asking for increase in compensation; to the Committee on the Post Office and Post Roads.

SENATE.

WEDNESDAY, February 20, 1918.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we lift our hearts to Thee for Divine inspiration. Fit us for the duties of this day. We would wait before Thee as those who look for the larger life and know that in the unfolding of Thy plans there is a Divine purpose in all the movements of this mighty Nation. Fit us for the issues and for the final result and for the glory of the purpose that Thou hast in us. For Christ's sake. Amen.

The Journal of yesterday's proceedings was read and approved.

ESTIMATES OF APPROPRIATION.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Treasury, transmitting a letter from the Acting Secretary of War submitting a supplemental estimate of appropriation of \$2,500,000 required by the Quartermaster Corps for mileage to officers and contract surgeons, etc. (S. Doc. No. 176), which, with the accompanying papers, was referred to the Committee on Appropriations and ordered to be printed.

He also laid before the Senate a communication from the Secretary of the Treasury, transmitting a supplemental estimate of appropriation in the amount of \$400 for an additional clerk of class 1 (S. Doc. No. 175), which was referred to the Committee on Appropriations and ordered to be printed.

PETITIONS AND MEMORIALS.

Mr. JONES of Washington. Mr. President, I have a resolution adopted by the City Council of Tacoma, Wash., relating to water-power matters. I shall not have the resolution read and printed in the Record, but it asks that in any water-power legislation that Congress may pass authority shall be given to the several States and legal subdivisions thereof to condemn the rights of any licensees, and also calls attention to the fact that under our law municipalities are permitted to and do regulate the rights of public-service corporations, and asks that they be not interfered with.

I also find that the City Council of Seattle have passed a similar resolution.

I move that the resolution be referred to the Committee on Commerce.

The motion was agreed to.

Mr. JONES of Washington presented a memorial of the Woman's Home Missionary Society of the Methodist Episcopal Church of Seattle, Wash., remonstrating against the enactment of legislation providing for the running of railroad tracks directly opposite the Lucy Webb Hayes National Training School and the Sibley Memorial Hospital in the city of Washington, D. C., which was referred to the Committee on the District of Columbia.

Mr. GRONNA presented a memorial of the North Dakota State Dairymen's Association, remonstrating against the enactment of legislation favoring oleomargarine and discriminating

against butter and other dairy products, which was referred to the Committee on Agriculture and Forestry.

He also presented a petition of the Art Club of Minot, N. Dak., praying for the repeal of the advanced second-class postage rates, which was referred to the Committee on Post Offices and Post Roads.

He also presented a petition of the North Dakota Implement Dealers' Association, of Hope, N. Dak., praying for the submission of a Federal suffrage amendment to the legislatures of the several States, which was ordered to lie on the table.

Mr. ROBINSON presented a petition of sundry citizens of Yellville, Ark., praying for the repeal of the existing rates of postage on second-class mail matter, which was referred to the Committee on Post Offices and Post Roads.

Mr. GALLINGER presented a memorial of the Central Labor Union of Portsmouth, N. H., remonstrating against the adoption of the so-called Borland minimum eight-hour provision, which was ordered to lie on the table.

He also presented a petition of the Medical Society of Dover, N. H., praying that advanced rank be given officers in the Medical Corps of the Army, which was referred to the Committee on Military Affairs.

Mr. PHELAN presented a petition of Ebells Society, of Santa Ana Valley, Cal., praying for the submission of a Federal suffrage amendment to the legislatures of the several States, which was ordered to lie on the table.

WOMAN SUFFRAGE.

Mr. SHAFROTH. Mr. President, I desire to have the Secretary read at the desk a telegram from the governor of the State of Colorado.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and the Secretary will read.

The Secretary read as follows:

DENVER, COLO., February 16, 1918.

HON. JOHN F. SHAFROTH,
Senate, Washington, D. C.:

Woman suffrage has been very beneficial to the State of Colorado and its citizenship. I think it a just and wise movement to extend the right of suffrage to the women of the Nation.

JULIUS C. GUNTER,
Governor of Colorado.

Mr. SHAFROTH. Mr. President, I want to say in confirmation of the declarations contained in that telegram that I have examined as to the views of every governor of the State of Colorado and find that every one of them has given testimony to the beneficial effect of woman suffrage in that State.

I wish to call attention to a few sentences that were uttered by one of the governors who with prophetic vision 48 years ago voiced what would be the result of this movement. I read from the Rocky Mountain Herald of January 19, 1870. It says:

Gov. Edward Moody McCook, of the "fighting McCooks," as they were known in the Civil War, recommended woman suffrage in his message to the Territorial legislature of Colorado, delivered before the joint session of the council (Territorial senate) and house January 4, 1870, in which he said:

"Before dismissing the subject of franchise I desire to call your attention to one question connected with it, which you may deem of sufficient importance to demand some consideration at your hands before the close of the session. Our higher civilization has recognized woman's equality with man in all other respects save one, suffrage. It has been said that no great reform was ever made without passing through three stages—ridicule, argument, and adoption. It rests with you to say whether Colorado will accept this reform in its first stage, as our sister Territory of Wyoming has done, or in the last; whether she shall be a leader in the movement or a follower, for the logic of a progressive civilization leads to the inevitable result of universal suffrage."

Mr. President, it seems to me that in the Nation at large these first two stages have taken place—first, of ridicule, and, second, of argument; the third, of adoption, is about to be consummated. Since England, Wales, Scotland, and Ireland have now equal suffrage of women, it appears to me that we can do nothing better for civilization and good government than to adopt it by an overwhelming majority in the Senate.

DISTRICT JUDGE FOR NORTH CAROLINA.

Mr. OVERMAN, from the Committee on the Judiciary, to which was referred the bill (S. 3217) providing for the appointment of an additional district judge for the western judicial district of the State of North Carolina reported it without amendment.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HOLLIS:

A bill (S. 3924) granting an increase of pension to Freeman A. Forbes (with accompanying papers); to the Committee on Pensions.